

2018 Annual Report

PT Bank HSBC Indonesia



HSBC

Disclaimer

This Annual Report contains financial conditions, operating results, projections, plans, strategies, policies, as well as the Bank's purpose, which is classified as future statements within the meaning of prevailing regulations, excluding historical matters. The statements have the prospective risk and uncertainties, which may lead to actual developments that are different from what has been written. Prospective statements in this Annual Report are composed based on various assumptions on current conditions and the forecast of future conditions of the Bank and the business environment in which the Bank conducts business activities. The Bank does not guarantee that all measures undertaken would bring specific results as expected. This Annual Report contains the word "Bank" which is defined as PT Bank HSBC Indonesia. The terms "Company" or "Corporation" are also used at times to refer to PT Bank HSBC Indonesia in general.

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2018 Performance Highlights



Key Highlights 2018

The banking sector in 2018 showed improvement, with positive signals for future banking performance. HSBC also saw good performance, despite experiencing the effect of tight liquidity. Total loans increased, followed by improving non-performing loan ratio. Capital adequacy ratio also remained at a healthy level.



Core Equity Tier 1

Rp15.1 trillion

An increase of 5.59% from Rp14.3 trillion in the previous year.



Capital Adequacy Ratio (CAR)

20.79%

Remains at a healthy level and above minimum regulatory requirement.



Total Assets

Rp108.9 trillion

An increase of 7.86% from Rp101 trillion in the previous year.



Total Loans Disbursed

Rp68.5 trillion

An increase of 13.12% from Rp60.6 trillion in the previous year.



Gross Non-Performing Loan Ratio

2.52%

Improved from 4.27% in the previous year.



Core Funding

Rp74.9 trillion

An increase of 6.54% from Rp70.3 trillion in the previous year.



Financial Highlights

(in billion Rupiah, unless otherwise specified)

	2018	2017
Statements of Financial Position		
Total Assets	108,961	101,018
Loans to customers - gross	68,475	60,535
Investment securities	12,600	13,704
Deposits from customers		
- Demand deposits	24,961	25,575
- Saving accounts	12,228	13,130
- Time deposits and deposits on call	17,718	18,227
Total Liabilities	93,305	86,149
Total Equity	15,656	14,868
Statements of Comprehensive Profit or Loss		
Net Interest Income	4,180	3,653
Non-Interest Income	2,304	1,763
Operating Income	5,168	4,583
Profits Before Tax	1,266	1,518
Net Profit for the Year	895	1,371
Comprehensive Income	791	1,332
Financial Ratios		
Capital		
Capital Adequacy Ratio (CAR)	20.79%	22.49%
Productive Assets Quality		
Non-performing productive and non-productive assets to total productive and non-productive assets ratio	1.25%	1.54%
Non-performing productive assets to total productive assets ratio	1.76%	2.80%
Non-Performing Loan Ratio - gross	2.52%	4.27%
Non-Performing Loan Ratio - net	1.22%	1.70%

	2018	2017
Other Ratios		
Profitability		
Return on Assets (ROA)	1.13%	1.78%
Return on Equity (ROE)	5.95%	11.85%
Net Interest Margin (NIM)	4.64%	5.25%
Cost to Income Ratio	88.92%	82.79%
Equity		
Loan to Funding Ratio (LFR)	124.71%	106.55%
Low-cost Funding Ratio	67.73%	67.98%
Compliance		
Percentage of breach in Legal Lending Limit		
a. Related Party	Nil	Nil
b. Non-Related Party	Nil	Nil
Percentage of excess in Legal Lending Limit		
a. Related Party	Nil	Nil
b. Non-Related Party	Nil	Nil
Rupiah Minimum Reserve Requirement	9.40%	7.85%
Net Open Position (NOP)	8.60%	5.82%



2018 Strategic Initiatives

In 2018, PT Bank HSBC Indonesia ("the Bank") continued to focus on enhancing the management of financial crime and credit risks, in order to ensure that there was a firm platform for future growth following the successful integration of the foreign bank branch office (The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch)* on 17 April 2017 ("Integration"). In addition to focusing on controls, the Bank also focused on following initiatives to support business growth:



Capturing infrastructure opportunities to drive growth in assets and revenues.



Leveraging the international network to maximize opportunities across Business Corridors.



Growing third party funds (especially in Rupiah) to support asset growth.



Investing in digital to scale up Retail business.



Strengthening and growing local corporate relationship across the 10 core cities.



Attracting, training and retaining talents while streamlining operations and enhancing controls.

* Referred as KCBA HSBC in this annual report.

2018 Event Highlights

January



#RayakanJuaraBaru

HSBC Group signed a global partnership with Badminton World Federation (BWF), the sport's governing body, to support the organisation's events over the next four years.

In 2018, HSBC became the title sponsor of the BWF World Tour, comprising 26 tournaments in 20 countries and territories including Australia, China, Hong Kong, India, Indonesia, Malaysia, Singapore, Switzerland, the UK, and the US.

PT Bank HSBC Indonesia also worked with Rudy Hartono, Indonesian badminton legend, an 8-times All England champion, to support the campaign held by the Bank to celebrate the most beloved sport in the country. Furthermore, several events were held from May to July 2018, including meet and greet with badminton heroes Tantowi Ahmad/Liliyana Natsir and Hendra Setiawan, under the campaign hashtag #RayakanJuaraBaru (celebrating new champions).

October



Infrastructure Forum

The Bank also hosted an Infrastructure Forum, in collaboration with the Indonesia Investment Coordinating Board (BKPM) as a parallel event to the IMF-World Bank Annual Meeting 2018 in Bali in October.

The forum has successfully brought together infrastructure stakeholders and calibre speakers to share expertise and explore solutions to accelerate Indonesia's infrastructure agenda.

Awards

- Best Wealth Manager in Indonesia from The Asset Asian Awards 2018 – Triple A
- Best Segmented Credit Card Program for HSBC Premier Mastercard from Mastercard Indonesia.
- Best Domestic Cash Manager for 2018 by Euromoney
- Best Transaction for ATM/ Debit services from Infobank
- Jawara Financial Indonesia 2018 on Top Credit Card Product from Warta Ekonomi
- Best Fund Administrators - Retail Funds in Indonesia from The Asset for 2 years in the row.



An aerial photograph of a large cable-stayed bridge spanning a wide body of water. The bridge features a prominent concrete pylon on the left side, with multiple red and white cables fanning out to support the deck. Several vehicles, including cars, buses, and motorcycles, are visible traveling across the bridge. In the background, a coastal city is nestled at the foot of a large, forested mountain. The water is calm, and several boats are scattered across the surface. A large red rectangular overlay is positioned in the upper right quadrant of the image, containing the title text.

Management Report

Report from The Board of Commissioners



Matthew Kneeland Lobner
President Commissioner

The Bank's performance in 2018 was positive considering an unfavourable business climate. The Board of Commissioners saw the Board of Directors managed to steer the Bank in facing challenging conditions, and we believe the Management can improve the Bank's performance in the future.

Esteemed Shareholders,

We have passed another challenging year in 2018. The global economy grew below expectations as trade tensions between the US and China escalated. Meanwhile, slowing growth in emerging economies as the US saw increasing economic growth had led to a shift in capital to US dollars, causing volatility in the currencies of emerging markets.

Nevertheless, Indonesia still managed to post an economic growth of 5.2% in 2018, the highest in five years, supported by investment and private consumption. This positive performance occurred as the Government dealt with the issues of a widening current account deficit and a weaker rupiah. Bank Indonesia's move to tighten policy rates helped ease the problems.

There was an improvement in the performance of the banking sector in 2018. Lending grew 12%, far higher than the previous year, and the rate of Non-Performing Loans

(NPL) declined to 2.4%. The banking sectors capital position remained stable as indicated by the Capital Adequacy Ratio (CAR) of 22.97%. The main issue facing banks was tighter liquidity that occurred throughout the year. However, the banking industry in general remained resilient and was able to cope with external challenges, with indicators showing a promising sign for future banking performance.

Bank Performance

The economic environment remained challenging in 2018, which was the first full-year of operations as the integrated entity following the Integration within 2017.

In 2018, the Bank managed to deliver a positive performance. Gross loans amounting to Rp68.48 trillion grew 13.12% compared to prior year. The positive loan growth was followed by an improvement in Non-Performing Loan (NPL) ratio, which declined to 2.52% from 4.27% in the

Report from the Board of Commissioners

previous year. This shows the Management's ability to grow the loan portfolio while at the same time demonstrating strong credit risk management by repositioning its wholesale portfolio in 2018.

By the end of 2018, the Bank's equity and assets increased to Rp15.66 trillion and Rp108.96 trillion respectively. The Bank also managed to maintain strong capital as indicated by the Capital Adequacy Ratio of 20.79%, despite a decline from 22.49% in 2017.

Overall, the Bank's performance in 2018 was encouraging considering the unfavourable business climate. The Board of Commissioners trusts that the Bank's Management will continue to improve the Bank's performance in the future.

Assessment on the Performance of Board of Directors

The Board of Directors is assessed to have capabilities to manage the Bank amid the challenging economic environment in 2018.

This is evidenced in the following areas:

- Improving the quality of loan book resulting in NPL decrease from 4.27% in 2017 to 2.52% as at 31 December 2018.
- Repositioning the wholesale portfolio to ensure the loan book remains sound in the future.
- Focus on sustainable growth by implementing strong credit practices.

Business Outlook for 2019

The global economy is projected to weaken in 2019, burdened by similar issues as in 2018, mainly the trade tensions between the US and China, as well as currency volatility in a number of emerging markets. However, the Indonesian economy is likely to remain stable. Bank Indonesia and the Government have in place strategies to support the economy, particularly reducing the current account deficit, which was the main issue in 2018.

In banking, tight liquidity is predicted to remain. Bank Indonesia forecasts that loans will expand by around 10% to 12% in 2019, while third party funds will grow by 8% to 10%. Banks need to balance managing their liquidity, maintaining positive performance, and finding room to grow.

Implementation of Good Corporate Governance

Good Corporate Governance is vital to a Bank's business sustainability. Without good governance, it would be difficult for customers to fully trust a bank. In line with our values, HSBC continues to be viewed as a dependable and an accountable bank. One of the goals of the Board of Commissioners is to ensure that the Bank's Management operates the business in line with the principles of Good Corporate Governance. We believe that the Board of Directors in 2018 implemented Good Corporate Governance in every line of the Bank's businesses.

Each semester, the Bank conducts self-assessments of its Good Corporate Governance. In 2018, the results of the Bank's self-assessments were submitted to the regulators and were ranked as "Good". There were areas for improvement, but they were immaterial and the Management has plans to fix these issues.



Committees under the Board of Commissioners

The Board of Commissioners is of the opinion that all the committees under its remit carried out their duties and responsibilities as expected in 2018. The Audit Committee, the Risk Oversight Committee, and the Remuneration and Nomination Committee demonstrated good performance, which ensured that the Bank was run in a prudent manner and in line with the business plan.

Change in the Composition of Board of Commissioners

In 2018, there was a change in the composition of Board of Commissioners as follows:

- Antony Colin Turner on 1 September 2018 has resigned as Commissioner; and
- Lucia Ka Yee Ku has been appointed as Commissioner in the Extraordinary General Meeting of Shareholders on 8 November 2018. Her appointment shall become effective subject to approval by Financial Service Authority (OJK) and complying with prevailing rules and regulations.

MATTHEW KNEELAND LOBNER
President Commissioner

Acknowledgement

The Board of Commissioners wishes to express our gratitude to the Bank's Management and employees for their hard work in 2018. We also would like to thank all shareholders, stakeholders, business partners, and customers for their support and trust.



Board of Commissioners



Hariawan Pribadi
Independent Commissioner

Umar Juoro
Independent Commissioner

Mark Thomas Mckeown
Commissioner





Matthew Kneeland Lobner
President Commissioner

Hanny Wurangian
Vice President Commissioner and
Independent Commissioner

Lucia Ka Yee Ku ^{*)}
Commissioner

^{*)} Effective holding the Commissioner role after receiving OJK approval and complying with prevailing rules and regulations.

Report from The Board of Directors



Sumit Dutta
President Director

We are confident the Bank can achieve most results as targeted amid the economic dynamics, and can build business in line with sustainability principles. We continued building human resource competence and implementing good corporate governance in doing business.

Respected Shareholders and Stakeholders,

On behalf of the Board of Directors, I am honoured to report on the performance of PT Bank HSBC Indonesia in 2018 as well as to assess the Bank's future business outlook.

Economic conditions in 2018 were challenging for the banks sector in Indonesia, amid the slow economic recovery globally and locally. However, the Bank still managed to achieve most of its set targets. We remain committed to serving all our stakeholders by optimising the Bank's human resources as well as the global network of the HSBC Group.

Economic Conditions and Challenges in 2018

In 2018, the global economic slowdown continued as a result of escalating trade conflicts between the United States and China.

The World Bank estimated that the global economy grew by 3.0% in 2018, slightly lower than 3.1% seen in 2017. This was in line with the economic slowdown in developed and emerging markets, which were estimated to grow 2.2% and 4.2% respectively.

The US economy in 2018 grew by a solid 3.0% thanks to fiscal stimulus and accommodative monetary policies. Meanwhile, China's growth decreased to 6.6% in 2018, a reduction of 0.2% from the previous year. The Chinese economy continued to be fuelled by domestic consumption, which was strong enough to make up for the drop in its exports performance.

Report from The Board of Directors

Locally, the economy grew 5.2% in 2018, the highest in the past five years. Investment and private consumption growth became the main engines of the domestic economy, compensating for a drop in export volume and an increase in imports of capital and raw material goods.

The biggest challenge in 2018 was the widening current account deficit, reaching 3% of GDP, amid the weakening Rupiah against the US dollar at an average of 6.05% throughout 2018. Bank Indonesia increased the benchmark 7-day reverse repo rate (BI7DRR) by 175 basis points to 6% in 2018 to manage the current account deficit at a safe level and to ensure the attractiveness of domestic financial assets.

The overall performance of the banking sector was positive in 2018. This was reflected in the loan disbursement of banks growing 12%, an increase from last year's loan growth of 8.3%. This positive loan growth was supplemented by a manageable risk profile, as is evident in the ratio of Non-Performing Loan (NPL) which decreased from 2.6% in 2017 to 2.4% in 2018.

In the area of funding, tight liquidity was a challenge for banks in raising third party funds, which only grew by 6.4% in 2018, lower than the 2017 growth rate of 9.4%, and far below loan growth figure. This resulted in the increase of the loan to deposit ratio (LDR) to 94.8% from 90.0% in 2017.

Even so, the profitability of the banking sector improved in 2018 as reflected in the increase in Return on Assets (RoA) to 2.55% from 2.45% in 2017. The efficiency within

the sector also improved along with a decline in BOPO ratio to 77.9% from 78.6% in 2017. Lending rates showed a decreasing trend while deposit interest rates still showed an increasing trend. This resulted in net interest margins (NIM) dropping to 5.14% from 5.32% in 2017.

The OJK assessed the financial services industry conditions as healthy and capable of withstanding external pressure. This assessment includes capital adequacy and interest rate stress tests.

Bank Performance

In 2018, the Bank's performance was positive. The Bank's equity rose to Rp15.66 trillion from Rp14.87 trillion at the end of 2017. Meanwhile, the Bank's total assets on 31 December 2018 stood at Rp108.96 trillion.

In terms of lending, throughout 2018 the Bank disbursed loans amounting to Rp68.48 trillion, a 13.12% increase from the realised credit in 2017. The Bank's loan disbursement continued to be affected by low credit demand, repayments from several corporate clients, a shift in business appetite and prudent risk management.

The Bank continued to maintain a balance between the needs for funding and fund disbursement. The Bank opted to be conservative in its deposit pricing, which resulted in declining third party funds. To support lending, the Bank secured long-term borrowing facilities. The Bank's funding comprising of third party fund and borrowing amounted to Rp 74.88 trillion as at 31 December 2018. Despite a decrease in third party funds in 2018, the Bank's liquidity



was maintained at a sound level. The Bank's LCR and NSFR ratios were at 379.02% and 150.29%, respectively, as at 31 December 2018.

The BOPO ratio reached 88.92%, an increase from 82.79% in 2017. The increase is mainly due to a one-off expense in 2018. If the one-off expense is excluded, the Profit Before Tax would be Rp 1,694 billion, 11.59% higher compare to prior year. The Net Interest Margin (NIM) also fell to 4.64% from 5.25% in 2017.

Despite the challenges of 2018, the Bank managed to maintain a sound capital level. The Bank's Capital Adequacy Ratio (CAR) stood at 20.79%, a decline from 22.49% in 2017. Meanwhile, the gross Non Performing Loan (NPL) ratio improved to 2.52% from 4.27% in the previous year.

This was a result of the Bank's efforts to enhance the credit risk monitoring process and make credit policy adjustments.

Future Business Outlook and Challenges

Global economic growth is projected to weaken in 2019. The World Bank has forecasted that the global economic growth in 2019 will decline to 2.9% from 3% in 2018. The World Bank attributes this trend to several factors, including the weakening activities of global manufacturing and trade, escalating trade wars, and strong pressures in the financial markets of emerging countries.

Nevertheless, the World Bank projects that Indonesia's economic growth will remain positive in 2019 supported

by strong investment, stable inflation, healthy labour market, and declining borrowing rates. It is estimated that Indonesia's economic growth in 2019 will reach 5.2%. This figure is in line with Bank Indonesia's projection of economic growth of 5.0-5.4%, although it is lower than the 2019 State Budget target of 5.3%.

Considering the economic trends, Bank Indonesia projects that bank loans will grow in the range of 10-12% in 2019, while third party funds are projected to grow by 8-10%. Tight liquidity is likely to remain the main challenge for the national banking industry.

The Financial Services Authority (OJK) has requested the financial services industry to focus on managing liquidity, as third party funds is likely to grow slower than loan. Nevertheless, opportunities remain as Indonesia's macroeconomic conditions are projected to remain stable and the country's infrastructure development remains promising.

Priorities for 2019

In light of the 2019 business outlook and challenges, the Bank will continue to focus on the following priorities:

- To improve the customer centric focus.
- To leverage our international network to maximize opportunities in cross-border corridors.
- To grow customer deposits to support assets growth.
- To invest in digital area to drive the retail business.
- To strengthen and foster relations with local companies in 10 cities.
- To capture the infrastructure opportunities to promote growth in assets and revenues.
- To attract, educate, and maintain talents in addition to operational streamlining and strengthened oversight.



Report from The Board of Directors

Management of Human Capital

The Bank's commitment to HR management focuses on increasing the competence of employees in a sustainable manner—this includes capability, knowledge, and behaviour. The Bank understands that its employees are fundamental to supporting the achievement of its business strategy.

In 2018, the Bank took strategic steps to develop employee competence and maintain existing talent. These included competency training, leadership education, and in-house training in a variety of specific areas.

Corporate Governance

Maintaining sustainable business growth is at the centre of the Bank's business strategy. A large part of this involves the implementation of Good Corporate Governance (GCG). It is crucial in ensuring that the Bank improves its performance and protects the interest of its stakeholders.

The Bank has designed a Corporate Governance Structure which comprises of the General Meeting of Shareholders (GMS), the Board of Commissioners, the Board of Directors, and supporting structures including Internal Audit, Corporate Secretary, and committees under the Board of Commissioners and Directors.

As in previous years, in 2018 the Bank self-assessed its GCG half yearly. The assessment results have been submitted to the regulators, with the Bank's GCG ranked as "Good".

The Bank will continue to work on improving its GCG. In general, the Bank has been managed in accordance with prudent GCG practices.

The results of the Bank's self-assessments on GCG are a part of the assessment of the Bank's overall soundness level and they have been discussed with OJK.

Sustainability

The Bank is committed to complying with sustainability principles in its operations. For the Bank, sustainability means building long-term business by balancing social, environmental and economic considerations. The application of sustainability principles has allowed the Bank to achieve sustainable growth and commercial success.

The Bank also actively supports the sustainable growth of Indonesia through various education, environmental preservation, and social welfare programmes.



When delivering these community programmes, the Bank always involves local partners who have a direct access and an understanding of the people and areas in need. The Bank hopes that its programmes can increase people's welfare, as well as boost sustainable economic development.

The Bank monitors the results of its community programmes to ensure that they have a positive long term impact on their beneficiaries. The Bank also develops and builds good relationships with partners such as programme supervisors, governments, communities, and the media by providing them with opportunities to join its programmes.



SUMIT DUTTA
President Director



Board of Directors



Tripudjo Putranto Soemarmo
Strategy and Business
Implementation Director

Yessika Effendi
Compliance Director

Catherinawati Hadiman S
Commercial Banking Director

Sumit Dutta
President Director



Caecilia Widyarti Adinoto
Human Resources Director

Blake Hellam
Retail Banking & Wealth
Management Director

John Rosie
Operations and Information
Technology Director

Stephen Whilton Angell
Risk Management Director



Company Profile



Company Profile

About HSBC Group

HSBC Group (HSBC) is one of the world's largest banking and financial services providers, which operates in both established and emerging markets. Throughout our history we have existed where the growth is, connecting customers to opportunities. Our role and purpose is to support businesses to thrive and economies to prosper, helping people fulfil their hopes and dreams and realise their ambitions.

HSBC serves 39 million customers across the globe, from individuals to major corporates, through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network includes 66 countries throughout Europe, Asia, Middle East and North Africa, North America and Latin America. HSBC is committed to conducting its business in a responsible, sustainable, and ethical way, providing fair value to customers and strengthening our communities.

- HSBC was founded in Hong Kong on 3 March 1865.
- HSBC Group has around 3,800 offices in 66 countries.
- Around 39 million customers bank with us.
- HSBC employs 235,000 people around the world.
- HSBC reported profits before tax in 2018 of USD 19.9 billion with total assets of USD 2.6 trillion.
- We paid USD 10.2 billion in shareholder dividends in 2018.

HSBC also facilitated a number of Indonesian companies to connect with global opportunities. Key deals include:

- Joint Lead Manager for PT Wijaya Karya (Persero) Tbk ("WIKA") for their inaugural IDR 5.4tn RegS/144A 3yr Global IDR Bond Issuance. The offering, termed as "Komodo Bonds", represented the first foray of WIKA into the debt capital markets, having never issued either onshore or offshore bonds. Komodo bonds are offshore instruments denominated in Indonesian rupiah (IDR), but settled in US Dollars, for both principal and interest. HSBC facilitated the FX conversion to IDR currency balance, to meet WIKA needs. The transaction also further reinforced the Komodo Bond market as an alternative funding avenue for Indonesian companies. This deal represents the second Global IDR bond out of Indonesia with the HSBC being on both of the transactions, highlighting our expertise and quality of execution within this new market.



- Lead Manager and Joint Bookrunner for Republic of Indonesia (ROI) dual tranche USD 1.25 billion 5 year Green Sukuk and USD 1.75 billion 10 year Sukuk. The 5-year Green Sukuk represented the first offering under the newly established Green Bond and Green Sukuk framework where HSBC acted as the sole Green structuring advisor for the transaction. This marked HSBC's 7th mandate from ROI in the past 3 years, reflecting our status as a trusted advisor to the Republic of Indonesia as well as reinforcing HSBC's position as the leading global sovereign bond house and the leading green advisor. The deal also achieved many milestones including, the world's first ever Sovereign Green Sukuk issuance and the first ever international Green offering by an Asian Sovereign.
- Joint Dealer Manager for Any-and-All Tender Offer which targeting three of PLN's highest coupon and legacy senior USD securities due between 2019 and 2037, and with USD 2.5 billion notional outstanding across them.





- Joint Lead Managers and Joint Bookrunners on PLN's proposed offering of USD denominated and/or global IDR 144A / RegS notes. The transaction highlights as the first public tender offer transaction by an Indonesian State Owned Enterprise (SOE).
- Sole Global Coordinator, Sole Rating Advisor, Joint Lead Manager and Joint Bookrunner of inaugural USD 300m Reg-S senior unsecured 3-year bond offering of Federal International Finance. This transaction represented the first Investment Grade transaction from Indonesian in 2018 from non-Sovereign / SOE.
- Joint Dealer Manager on the Any-and-All Tender Offers of the transaction targeting two of Pertamina's short-dated senior USD securities due in 2021 and 2022 with USD2.242bn notional outstanding across them. HSBC also acted as Joint Lead Manager and Joint Bookrunner of the proposed offering of new senior unsecured debt securities under the USD10bn GMTN program of Pertamina. This is the first Liability Management transaction by Pertamina to proactively manage the upcoming maturities and reduce refinancing risk. This is also the second LM transaction by a SOE in Indonesia.
- Joint Bookrunner for a rare single tranche 30-year Senior Unsecured Fixed Rate Notes in a size of USD750m of Pertamina. This represents the first single tranche 30-year from Indonesia corporate since 2014 and Pertamina's first bond offering in the USD Capital Markets since May 2014.

Company Profile - continued

A number of these international transactions also earned international recognitions:

- Asia Pacific Green/SRI Bond Deal of the Year Award from Global Capital – The Republic of Indonesia USD 1.25 billion 5 year Green Sukuk. HSBC acted as the sole Green structuring advisor, Joint Lead Manager, and Joint Book Runner.
- Best ESG Deal from FinanceAsia – The Republic of Indonesia USD 1.25 billion 5 year Green Sukuk. HSBC acted as the sole Green structuring advisor, Joint Lead Manager, and Joint Book Runner.
- Best Bond in Indonesia from The Asset – The Republic of Indonesia USD1 billion and EUR1 billion. HSBC acted as Joint Lead Manager and Book Runner.
- IFR Asia Awards on SRI Bond and Islamic Issue – The Republic of Indonesia USD 1.25 billion 5 year Green Sukuk. HSBC acted as the sole Green structuring advisor, Joint Lead Manager, and Joint Book Runner.
- IFR Asia Awards on Indonesia Capital Markets Deal - Jasa Marga IDR4 Trillion Komodo Bond. HSBC acted as Joint Global Coordinator and Joint Lead Manager.

Learn more about HSBC by visiting www.hsbc.com/about-hsbc

About the Bank

As the pioneer of modern banking in Asian countries, HSBC has a long history in Indonesia. HSBC opened its first Indonesian office in Jakarta (formerly Batavia) in 1884 to facilitate the sugar trade, which was an important commerce at the time. It then expanded operations to Surabaya in 1896.

Due to turmoil in the Indonesian market, HSBC was forced to cease its activities during the Second World War and re-opened when the war ended. After the closure of its business in the middle of 1960s, HSBC re-obtained a new banking license in 1968. The Bank has since continued to grow and maintained its position as one of the biggest foreign banks operating in Indonesia.

In May 2009, HSBC acquired PT Bank Ekonomi Raharja Tbk with the aim to enhance HSBC's commercial banking business in Indonesia, expand retail presence in the banking sector, and double HSBC's network in the archipelago. PT Bank Ekonomi Raharja changed its name into PT Bank HSBC Indonesia (the Bank) in October 2016.

HSBC integrated its foreign bank branch office (The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch) into its local banking subsidiary (PT Bank HSBC Indonesia) on 17 April 2017, to support the Indonesian Government's agenda to consolidate the banking industry. HSBC was honoured to be given the first approval for an international bank to integrate its foreign branch.

The Bank currently serves customers through more than 80 offices in 29 Indonesian cities. With support from over 4,300 employees, the Bank provides banking services for Retail Banking and Wealth Management, Commercial Banking, and Global Banking and Markets. The Bank's commitment towards Indonesian communities is reflected in various corporate sustainability activities organised by the Bank.



Share Ownership

The composition of shareholders as of 31 December 2018 is as follows:

Shareholders	Amount of Shares	Shareholding Percentage
HSBC Asia Pacific Holdings (UK) Limited	10,473,719,274	98.9357%
PT Bank Central Asia Tbk.	112,653,737	1.0641%
Others	21,986	0.0002%
Total	10,586,394,997	100.0000%



Company Vision, Mission, and Core Value

Vision

"Throughout our history we have been where the growth is, connecting customers to opportunities. We enable businesses to thrive and economies to prosper, helping people fulfil their hopes and dreams and realise their ambitions. This is our role and purpose."

Mission

"To help customers and clients thrive wherever they are in the world and connect them to opportunities near and far, big and small."

Our Values

Our values define who we are as an organisation and what make us distinctive. By operating in accordance with our values we are:

Dependable

- Standing firm for what is right, delivering on commitments, being resilient and trustworthy.
- Taking personal accountability, being decisive, using judgment and common sense, empowering others.

Open to different ideas and cultures

- Communicating openly, honestly and transparently, welcoming challenges, learning from mistakes.
- Listening, treating people fairly, being inclusive, valuing different perspectives.

Connected to customers, communities, regulators, and each other

- Building connections, being aware of external issues, collaborating across boundaries.
- Caring about individuals and their progress, showing respect, being supportive and responsive.

Brand Philosophy

Brand Personality

Our personality is born of values and experiences of our HSBC Group. Over 150 years ago HSBC was established to serve the needs of emerging trade routes in Asia. Since then we have grown to become an international bank serving the needs of millions of people, businesses, and communities around the world.

Brand Purpose

Advancing prosperity for all we serve: today, tomorrow, and in the future. Everything we do, every product we make, every service we provide, should exist for one reason only: to advance the prosperity of our customers and clients.

Brand Promise

If our purpose is what we do, and our personality is the style in which we deliver it, our brand promise is our commitment to customers.

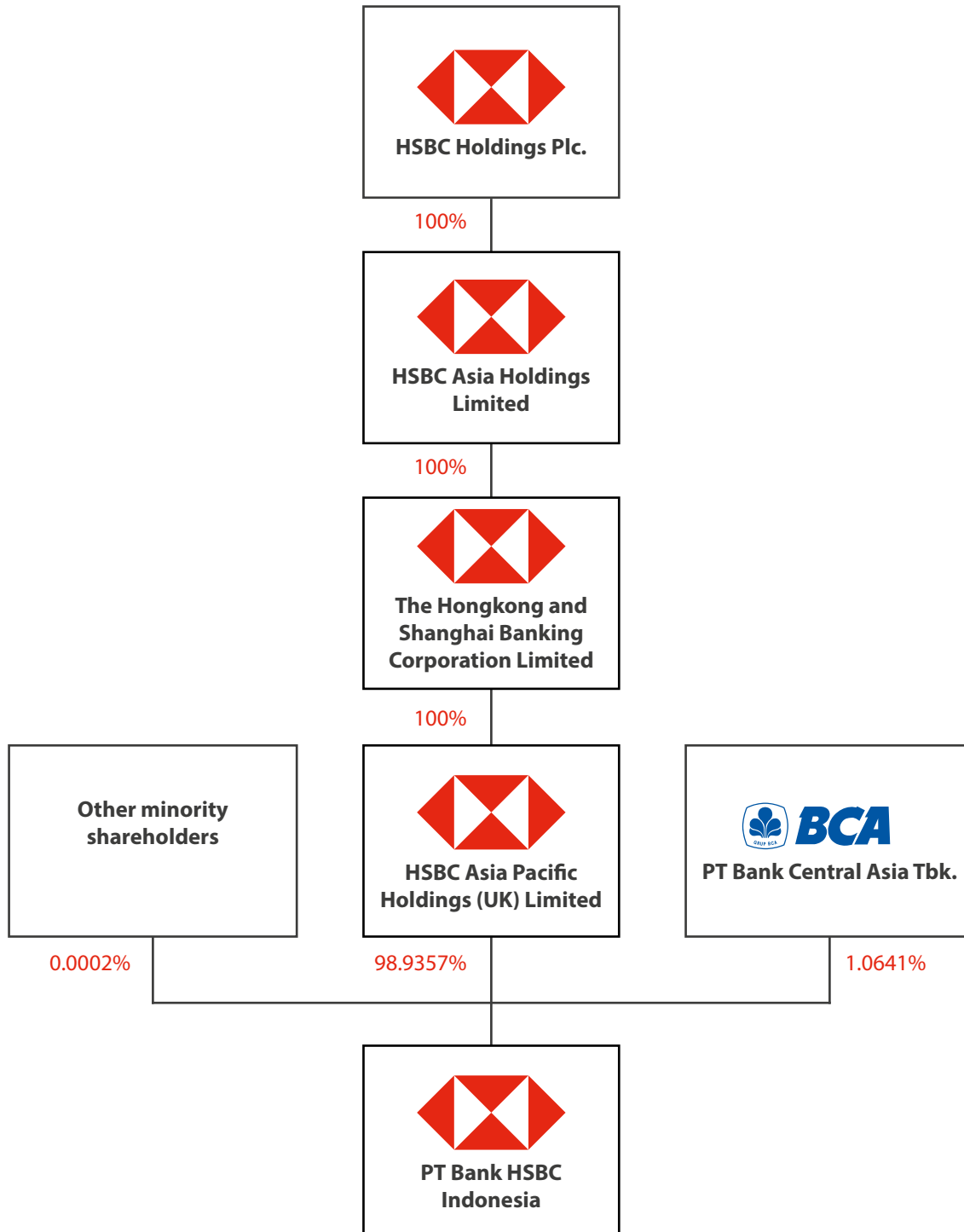
Our Commitment

"Together we thrive" delivers our positioning and personality into the hearts and minds of all those connected to HSBC. It is based on partnership and reciprocity. If our customers thrive, then so does HSBC. Likewise, if the people around us thrive, then so do we. If our shareholders, suppliers, and the communities we serve thrive, then we all do so.

It is a modern view of what our business is built on; coming together to help those we serve to realise their hopes, dreams, and ambitions, and connecting them to opportunities all over the world.

Shareholding Structure

The following details the shareholding structure of the Bank up to the ultimate shareholder per 31 December 2018:



Business Activities

As specified in the Company's Articles of Association, the purpose of the Bank's establishment is to conduct banking business in accordance with regulations.

The following are the Bank's business activities:

- Accepting funds from the public
- Providing loans
- Issuing debt paper
- Purchasing, selling, or guaranteeing at own-risk or for the interest of and upon orders of customers
- Money transfer for own interest or customers interest
- Placing funds to, borrowing funds from, or lending funds to other bank(s)
- Receiving payment from securities billing
- Providing custodial service
- Implementing factoring, credit card business, and trustee activities
- Performing activities in foreign exchange
- Performing share investment activities
- Conducting other common banking activities as long they do not contradict any existing laws and regulations



Products & Services

The Bank has various products and services in its three major business segments: Retail Banking and Wealth Management, Commercial Banking, and Global Banking and Markets. The following is a list of the Bank's products and services:



Deposits

- Rupiah Current Account
- Rupiah and Foreign Currency Deposit
- Rupiah and Foreign Currency Saving Account
- HSBC High Rate Savings



Wealth Management

Investment

- Mutual Funds
- Obligation
- Structured Products

Insurance

- Care Invest Plus
 - Credit Pro Plus
 - Smart Traveller
 - College Care
 - Optima Care Invest
 - Future Care
- Growing Wealth Planning
Children's Education Planning
Retirement Planning
Protection Planning



Global Markets

- Money Market-Loan & Deposit
- Repo - Reverse Repo
- FX - Spot
- FX - Forward
- FX - Swap
- FX - Option
- FX - Call Spread Option
- FX - DNDF
- Fixed Income - Government Bonds & Corporate Bonds - IDR & FX
- Derivatives - Interest Rate Swap
- Derivatives - Cross Currency Swap
- Dual Currency Investment



Lending

- Working Capital Loan
- Investment Loan
- Consumer Loan
- Mortgage
- Personal Instalment Loan
- Term Loan
- Revolving Loan
- Flexi Credit
- HSBC Overdraft
- Smart Money
- Investment Link
- Syndicated Loan
- Project Export Financing



Credit Card

- HSBC Visa Signature
- HSBC Visa Platinum
- HSBC Platinum Cash Back
- HSBC Gold Card
- HSBC Premier MasterCard





Global Trade and Receivables Financing (GTRF)

Import

- Documentary Credit
- Documentary Collection
- Import Loans

Export

- Documentary Credit Negotiation
- Documentary Collection Negotiation
- Export Loans

Supply Chain

- Supply Chain Solutions
- Receivables Finance

Bank Guarantee

- Bid/Tender Bond
- Custom Bond
- Retention Bond
- Performance Bond
- Advance Payment Bond

Commodities and Structured Trade Finance



Transaction Services

- HSBCnet Mobile
- HSBCnet Connect
- In-House Transfer
- National Clearing System
- Real Time Gross Settlement (RTGS)
- Telegraphic Transfer
- Autopay
- Utility Pay
- Tax Payment
- Cheque Giro Bill
- Cash Withdrawal
- Cash Deposit
- Post-Dated Cheque Warehousing
- Post-Dated Cheque Discounting
- Cheque Collection
- Direct Debit
- Virtual Account
- RMS
- Domestic Cash Concentration
- ATM
- Personal Internet Banking
- Business Internet Banking
- Mobile Banking
- Satellite Branches



Securities Services

- Facility Agent
- Security Agent
- Account Bank
- Escrow Agent
- Accounting and Valuation Services
- Transfer Agency
- Custodian Services



Profile of the Board of Commissioners



MATTHEW KNEELAND LOBNER
President Commissioner

United States of America citizen, 47 years old. Appointed as President Commissioner of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 18 September 2017.

Obtained his Masters degree from Massachusetts Institute of Technology.

Matthew Lobner is Head of International, Asia-Pacific, and Head of Strategy and Planning, Asia-Pacific, HSBC. He joined the HSBC Group in 2005 from McKinsey & Company and has worked in various roles in USA, UK, and Asia. Previously, he was Chief of Staff and Head of Strategy & Planning in Europe; Global Head of Strategy for Commercial Banking; Head of Strategy and Planning in Europe, Middle East and Africa; and CEO in HSBC Thailand.



HANNY WURANGIAN
Vice President Commissioner and
Independent Commissioner

Indonesian citizen, 68 years old. Appointed as Vice President Commissioner of PT Bank HSBC Indonesia based on Annual General Meeting of Shareholders (AGMS) resolution on 7 May 2013.

He obtained his Bachelor's degree in economic management and accounting and his Master's degree in accounting from Airlangga University.

He began his career as a teaching staff at Airlangga University before pursuing a career as public accountant. Currently, he owns Public Accounting Firm Hendrawinata Hanny Erwin & Sumargo, Kreston International.



HARIAWAN PRIBADI
Independent Commissioner

Indonesian citizen, 77 years old. Appointed as Independent Commissioner of PT Bank HSBC Indonesia based on Annual General Meeting of Shareholders (AGMS) resolution on 7 May 2013.

He obtained his Bachelor's degree in accountancy from Gadjah Mada University.

He began his career as an inspector at Directorate General of the State Finance Supervision in Surabaya from 1971 to 1976. From 1976 to 2004, he worked as a partner of KAP Hanadi Rahardja & Co (member of Grant Thornton International), KAP Hanadi Sudjendro & Rekan (member of KPMG International), and KAP Prasetyo, Sarwoko & Sandjaja (member of Ernst & Young Global).



MARK THOMAS MCKEOWN
Commissioner

British Citizen, 60 years old. Appointed as Commissioner of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 28 October 2015.

He obtained Associates of the Chartered Institute of Bankers (ACIB) from Liverpool School of Banking (Liverpool John Moores University).

Mark joined Midland Bank in 1976 and, following the acquisition of Midland, for HSBC Group since. He has held senior roles in Risk, Operations, Retail Banking and Commercial Banking, some with a global reach. Most recently, he has had responsibility for the whole of Asia Pacific Credit & Market Risk. He was recently appointed a Group General Manager and his current role covers the full range of Risk Disciplines for the Asia Pacific Region. He is Chairman of the Region's Risk Management Committee, a member of Executive Committee, a member of HSBC Group Risk Management Board, a Director of HSBC Bank (Taiwan) Limited and HSBC Asia Holdings.



Profile of the Board of Commissioners



UMAR JUORO
Independent Commissioner

Indonesian citizen, 59 years old. His appointment as the Independent Commissioner was conducted in Extraordinary General Meeting of Shareholders (EGMS) on 18 September 2017.

He obtained his Bachelor's degree in Physics from the Bandung Institute of Technology (ITB) in 1985, before continuing his study and obtained Master of Arts in economy from the University of Philippines and Master of Arts in political economy from Boston University, US. He continued his study in international economy in Kiel, Germany.

Prior to serving as the Independent Commissioner of PT Bank HSBC Indonesia, he has held numerous positions: independent commissioner of PT Bank Maybank Indonesia Tbk from 2002 to 2017; the Board of Trustee of Maybank Foundation (Kuala Lumpur) from 2012 to 2017; and the chairman of Supervisory Board of Bank Indonesia (BSBI) from 2010 to 2017. He was the assistant for economy, finance, and industry for former Indonesian Vice President/President B.J. Habibie from 1998 to 1999. He has also worked on various advisory projects with the World Bank, ADB, ILO, and UNDP.





LUCIA KA YEE KU^{*)}
Commissioner

Hong Kong citizen, 58 years old. Her appointment as Commissioner was conducted in Extraordinary General Meeting of Shareholders (EGMS) on 8 November 2018.

She obtained Master of Business Administration from University of Ottawa.

Lucia is Regional Head of Retail Banking Asia Pacific, Retail Banking and Wealth Management, HSBC Holdings Plc. She joined HSBC Group in 1994 and has held acting Group Head of Advance and acting Group Head of Customer Experience; Regional Head of Customer Value Management Asia Pacific (ASP) RBWM; Head of Business Performance Management ASP RBWM; Head of Strategic Planning and Business Intelligence ASP RBWM; Head of One HSBC ASP RBWM; Head of Channels; and Customer Propositions and Acquisition AMH RBWM.

^{*)} Effective holding the Commissioner role after receiving OJK approval and complying with prevailing rules and regulations.



Profile of the Board of Directors



SUMIT DUTTA
President Director

Indian citizen, 52 years old. Appointed as President Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 19 October 2016.

He obtained his Bachelor's Degree in Engineering from Jadavpur University India and Master of Marketing and Finance from Indian Institute of Management.

Former appointments include: Country Manager and Chief Executive, HSBC Jakarta Branch; Chief Executive Officer, HSBC Vietnam; Executive Director, Techcombank Vietnam; Senior Vice President, Head of Consumer and Sales Management, HSBC Bank USA; Head of Product Management, HSBC Bank USA; Head of Global e-Business and Direct Sales, HSBC Group; and Senior Distribution Manager, HSBC Asia Pacific, Hong Kong.



CATHERINAWATI HADIMAN S
Commercial Banking Director

Indonesian citizen, 54 years old. Appointed as Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 19 October 2016.

She obtained her Bachelor's Degree in Accounting from Trisakti University Jakarta and Bachelor's Degree in Business Administration from Atmajaya University.

She started her career at KAP KPMG in 1989. In 1990, she joined PT Bank CIMB Niaga Tbk and worked for more than 22 years there and pursued various career fields: consumer banking, treasury commercial, and corporate banking. Her recent position at PT Bank CIMB Niaga was Vice President Director. In 2015, she became the Independent Commissioner of PT Bank Tabungan Negara Tbk. Since January 2016, she has served as Head of Commercial Banking at HSBC Jakarta Branch.



JOHN ROSIE
Operations and Information Technology
Director

British citizen, 45 years old. Appointed as Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 19 October 2016.

He obtained his Bachelor's Degree in Physics from University of Edinburgh.

His prior roles include: Director of Operations, HSBC Jakarta Branch from November 2015 to April 2017; Global Approach & Mobilisation Lead for HSBC Transactions, HSBC Hong Kong; COO Prime Services Asia Pacific, HSBC Global Banking & Markets, Hong Kong; Senior Relationship Manager, Asia Global Satellite Sites Strategy, HSBC Global Banking & Markets Technology & Services, Hong Kong; UK Head of eTrading, Fixed Income IT, HSBC Global Banking & Markets Technology & Services, London; and Global Head of Product Delivery & Programme Management Office, HSBC Global Banking & Markets Technology & Services, London.



BLAKE HELLAM
Retail Banking & Wealth Management
Director

Canadian citizen, 55 years old. Appointed as Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 19 October 2016.

He obtained his Bachelor's Degree in Commerce (Finance) from University of British Columbia and Masters of Business Administration from Western University (Ontario) Canada.

His prior roles include: Head of Retail Banking & Wealth Management, HSBC Jakarta Branch in November 2015; Head of Retail Banking & Wealth Management, HSBC Bermuda; SVP & Head of Network, HSBC Canada; SVP Personal Financial Services, HSBC Canada; SVP & Head of Marketing, HSBC Canada; Head of Distribution Optimization, Royal Bank of Canada; Head of GTA De Novo Market Strategy, Royal Bank of Canada; Head of Enterprise Program Management, Royal Bank of Canada; and VP & Director Strategic Resource Planning and Management, Royal Bank of Canada.



Profile of the Board of Directors



TRIPUDJO PUTRANTO SOEMARKO
Direktur Strategy and Business
Implementation

Indonesian citizen, 54 years old. Appointed as Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 19 October 2016.

He obtained his Bachelor's Degree in Finance from Western Illinois University and Master of Business Administration from Western Illinois University.

He has been working in the banking industry for 30 years and pursuing various career fields, including compliance, finance, project management, product management, operational, business development, electronic banking, and treasury. Prior to joining the Bank, he worked at a subsidiary of a regional bank and a foreign bank's branch office.



CAECILIA WIDYARTI ADINOTO
Human Resources Director

Indonesian citizen, 54 years old. Appointed as Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 19 October 2016.

She obtained her Bachelor's Degree in Psychology from Gadjah Mada University.

Prior to joining Bank, she served as SVP Human Resources, HSBC Jakarta Branch; Head/Director of Human Resources at Asean Brown Boveri, Pfizer Pharmaceutical, and General Electric (GE).



STEPHEN WHILTON ANGELL
Risk Management Director

British citizen, 52 years old. Appointed as Risk Management Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 18 September 2017.

He holds a Bachelor of Science degree in Geography and Geology from Nottingham University.

His recent roles include CRO Private Banking ASP and Global CRO Private Wealth Solutions, HSBC Hong Kong; Regional Head Reputational Risk and Client Selection ASP HSBC Hong Kong; Regional Head of Wholesale Risk and Risk Strategy Audit HSBC Asia Pacific; and Regional Head of Credit Risk Review and Risk Identification, HSBC Asia Pacific.



YESSIKA EFFENDI
Compliance Director

Indonesian citizen, 46 years old. Appointed as Compliance Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 30 March 2017.

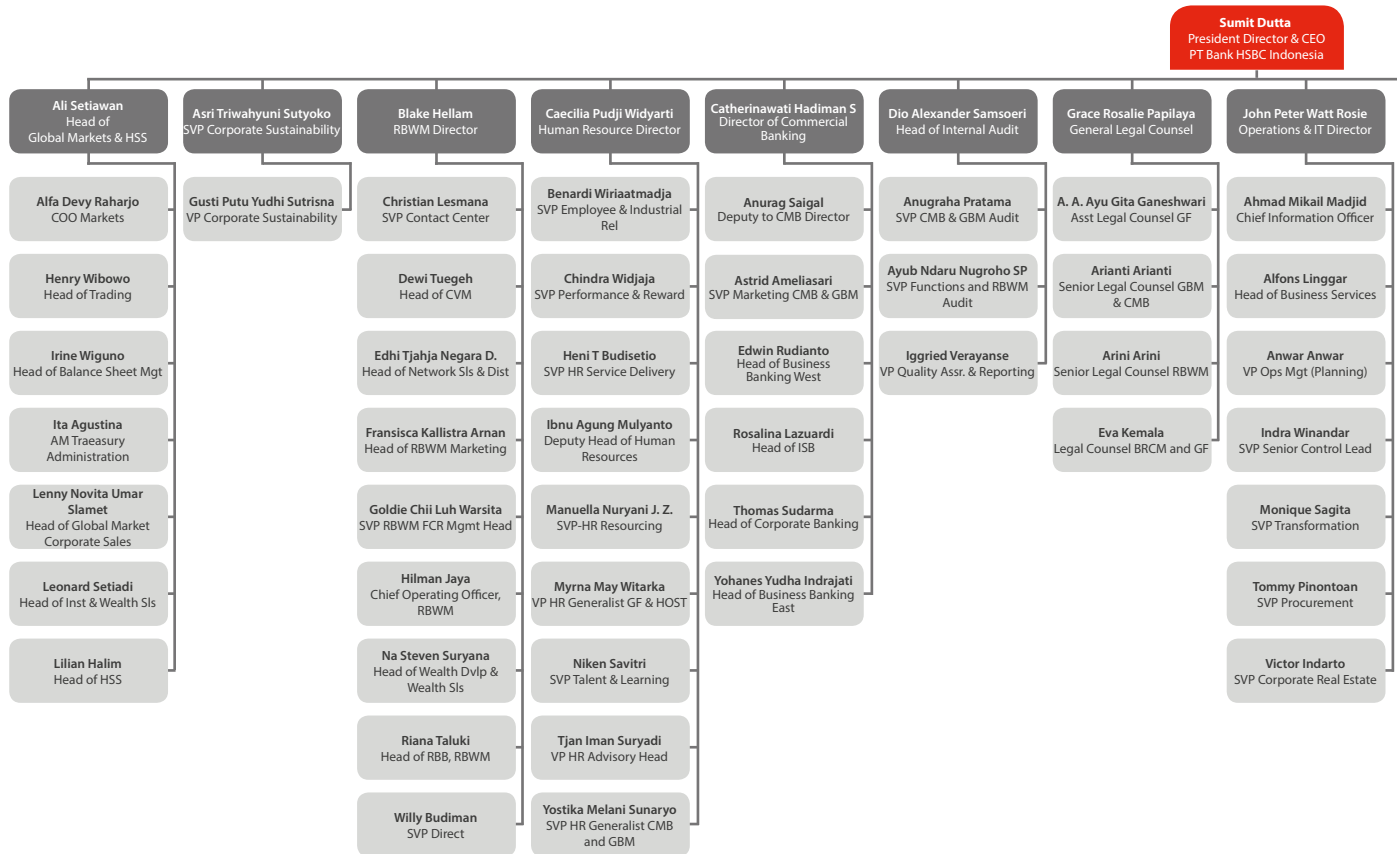
She obtained her Bachelor's Degree in Mathematical and Computer Sciences from the University of Adelaide.

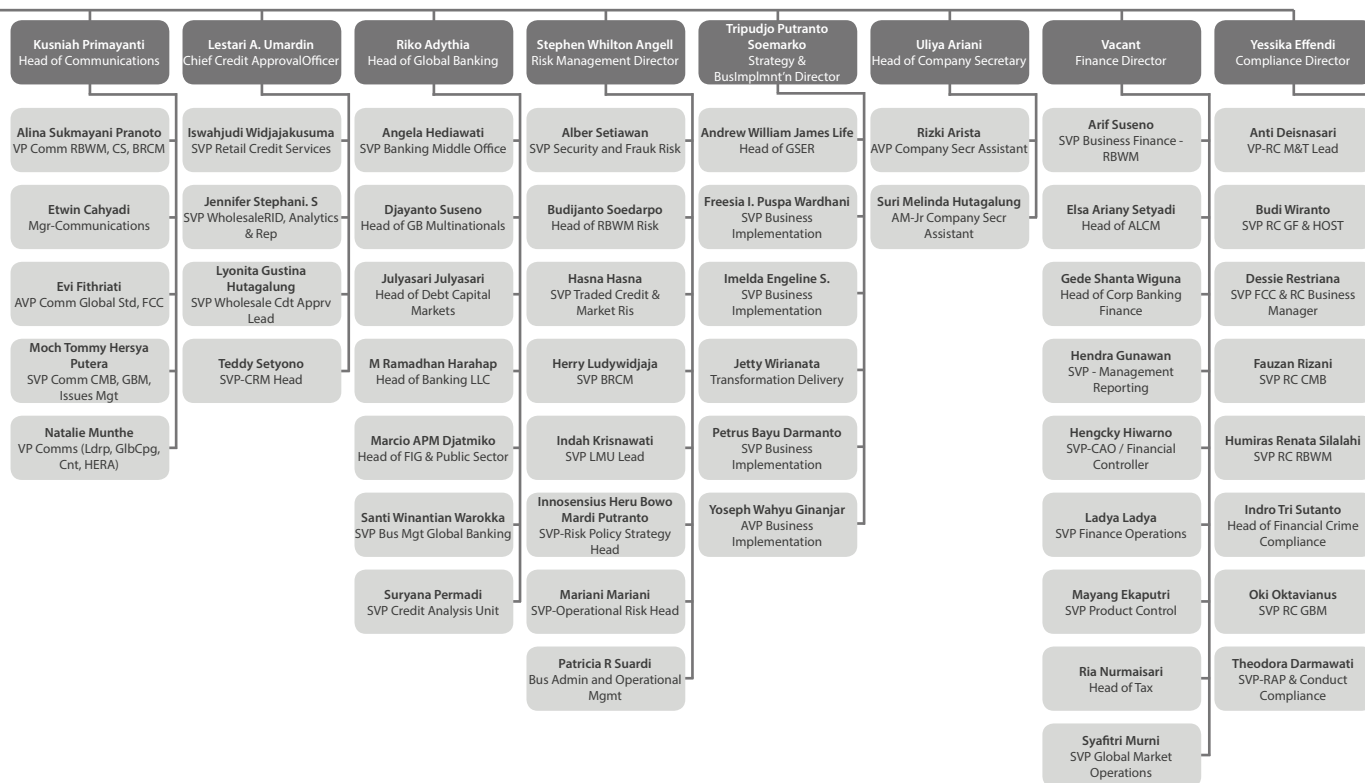
Her previous positions include Compliance Director at Citibank N.A Jakarta in 2010, Global Transaction Services Operations Head in 2008 and Cash and Trade Operations Head in 2006. In 2001, she was appointed as Document Checking and Export Booking Unit Head at Citigroup Regional Trade Processing Center for Asia Pacific in Malaysia.



Organisational Structure

Organisation Structure of PT Bank HSBC Indonesia 31 December 2018







Management Discussion and Analysis



Economic Review

Global Economic Review

The global economy in 2018 started with optimism, in line with growth in global manufacturing and trade in 2017. However, it then slowed as investors lost confidence due to the trade tensions between the US and China.

According to the World Bank, the global economic growth in 2018 decreased to 3.0%, from 3.1% in 2017. Growth in both advanced economies and emerging markets followed suit, decreasing to 2.2% and 4.2% respectively. Meanwhile, emerging market economies felt substantial financial market pressures with the increase in the value of US dollars.

In the US, the Fed reported that the economic growth remained solid, expanding by just under 3% in 2018 as consumer spending grew at a strong rate in the second half of the year, bolstered by fiscal stimulus and accommodative monetary policy. The US dollar appreciated against most other currencies in 2018. The US move to impose tariffs on imported products caused uncertainty in the market, and led to other countries responding in a similar fashion.

Meanwhile, the Euro Area continued to decline, with growth falling to 1.8% in 2018 from 2.5% in the previous year, in line with the slowing demand for European goods.

Although growth in China slowed it still remained robust at 6.6 % in 2018, down 0.2% from the previous year, with resilient domestic consumption helping to offset a deceleration in exports. Nevertheless, stock prices and the Chinese Yuan experienced downward pressures, while sovereign bond spreads rose amid trade tensions.

Also in Asia, India's economic growth increased to 7.3% in 2018 despite experiencing volatility, while Japan saw growth slowing sharply to 0.7% from 1.9% in 2017 although the country experienced an economic expansion in the last quarter of 2018. ASEAN, meanwhile, remained resilient with sturdy growth in most countries.

National Economic Review

2018 was an eventful year for Indonesia as the country's economy posted its highest growth since 2013.

The economy also showed resilience against the global economic backdrop. GDP growth rose slightly to 5.2%, supported by robust investment and growing private consumption. However, net exports dragged down the country's growth due to slowing export volumes and surging imports of capital goods and raw materials.

The manufacturing sector, the wholesale and retail trade sector, the agriculture and fisheries sector, and the construction sector still dominated the economy, with a 56.2% contribution, according to the Central Statistics Bureau.

Inflation in 2018 was within Bank Indonesia's target range of 3.5%±1%, ending the year at 3.13% with the government managing to steady volatile food and administered prices.

The biggest challenge for the domestic economy in 2018 was the increase in the current account deficit, which reached 3% of the GDP. The increase in the value of the US dollar also posed economic problems to the economy, with the Rupiah depreciating 6.05% on average throughout the year to Rp14,481 per dollar, or weakening 5.65% point to point.

Throughout 2018, Bank Indonesia raised the benchmark 7-day reverse repo rate (BI7DRR) by a total of 175 basis points as it aimed to reduce current account deficit to a safe level, while ensuring the appeal of domestic assets. The BI7DRR stood at 6% in December 2018, with the deposit facility rate at 5.25% and the lending facility rate at 6.75%.

The Jakarta Composite Index (JCI) saw a volatile performance throughout 2018, mainly due to investors being put off by the continuing trade tensions between the US and China. The aggressive Fed rate hikes in the US also prompted a sell-off in emerging markets, including Indonesia. The JCI closed at 6,194.50 in 2018, down 2.54% year-on-year, posting its worst performance in the last three years.

Despite the challenges, Indonesia's economy remained resilient in 2018, as reflected by its investment grade status given by the top three rating agencies. S&P affirmed Indonesia's sovereign credit rating at BBB-/stable, Fitch affirmed the credit rating at BBB/stable, and Moody upgraded its rating to Baa2/stable outlook. The rating agencies reported that the government and the central bank managed to make credible and effective policies to support the economy, while public debt level remained low.

2018 was a record one for Indonesia's digital economy sector as it grew to US\$27 billion - the highest in Southeast Asia - from just \$600 million three years ago. This growth was spearheaded by the e-commerce sector, which accounted for 45% (\$12.2 billion) of the country's total digital economy as consumers shifted toward online spending.

Banking Industry Review

The banking industry booked a positive performance in 2018 as Indonesia's economy posted the highest economic growth in five years. Loan growth rose 12% throughout the year, an increase from 8.3% recorded in 2017. The 2018 loan growth also reached the top of initial forecast of 10% to 12%.

The strong growth was followed by a relatively healthy lending profile, with a gross non-performing loans ratio of 2.4%. The Financial Services Authority (OJK) reported that the financial sector managed their risk profile well despite experiencing rising market pressure amid global economic uncertainty.



The appreciation of the US dollar, due to the improving US economy, in 2018 caused the rupiah to fall by 6.05% to Rp14,481 per dollar, which forced Bank Indonesia to raise the benchmark 7-day reverse repo rate by a total of 175 basis points to 6% per December 2018. The central bank's move to raise the key interest rate helped to stabilise the banking sector.

The main challenge experienced by banks in 2018 was tight liquidity. Third party funds only grew by 6.4%, far below loan growth and down from 9.4% in 2017. This caused the loan-to-deposit ratio to rise to 94.8% in 2018 from 90.0% in 2017. As third party funds slowed, banks had to look for funding alternatives, such as the capital market. Banks also needed to strengthen their liquidity management to protect their performance. The OJK warned banks to prioritise their health before channelling loans.

Bank lending in 2018 was still dominated by productive loans - working capital loans and investment loans - which accounted for 72.2% of the total loans. Meanwhile, consumer loans accounted for 27.8% of the total loans. Productive loans experienced strong growth thanks to the government's electricity program and industrial electricity. Loans to the mining sector also surged as commodity prices improved globally.

Indonesian banks were able to withstand the rising external pressure in 2018, as indicated by their capital. The banks' capital adequacy ratio (CAR) stood at 22.97%, only a slight decrease from 23.18% in 2017. This demonstrates the resilience of the Indonesian banking sector.

In terms of profitability, as measured by the Return on Assets (ROA), the ratio in the banking sector rose to 2.55% in 2018 from 2.45% in 2017, in line with the growth in lending. Bank efficiency also showed improvement as seen from the decrease in the BOPO ratio to 77.9%, from 78.6% in 2017. Meanwhile, the net interest margin (NIM) declined to 5.14% in 2018 from 5.32% in 2017.

The total profit of Indonesian commercial banks in 2018 rose 14.4% to Rp150.0 trillion, from Rp131.2 trillion in 2017, while total assets grew 9.2% to Rp8,068.3 trillion, from Rp7,387.6 trillion in 2017. The banking assets in 2018 remained dominated by the four largest banks in Indonesia - PT Bank Rakyat Indonesia, PT Bank Mandiri, PT Bank Central Asia, and PT Bank Negara Indonesia - which held around 49% of the total banking assets. Meanwhile, the top 20 banks held 79.5% of the total banking assets.

For 2019, the Indonesian Financial Services Authority (OJK) forecasts a loan growth of between 12% and 14%, with a lower ratio of non-performing loans (NPL). This can be compared to the loan growth of 12% in 2018 and NPL of 2.4%. The OJK estimates that the growth of third party funds in 2019 will be around 8% to 10%, an increase from 6.4% in 2018. Banking players also seem confident with the future of the banking sector, as seen from the Banks Business Plan for 2019 which sets the credit expansion target for the year at 12.06% and a third party funds growth at 11.49%.

The banking sector's optimism about 2019 is based on the positive banking performance in 2018. Loan growth of 12% in 2018 far exceeded the 8.3% loan growth during the previous year. Furthermore, the capital adequacy ratio of 22.97% at the end of 2018 will ensure that banks have enough capacity to withstand any potential challenges.

Business Review

Retail Banking and Wealth Management

The Bank accommodates various retail banking needs through several products and services. One of them is HSBC Premier, an exclusive product with global network, which offers a wide variety of exclusive banking services. The Bank also offers wealth management service, which provides various global benefits and exclusive services for affluent customers.

The Bank also offers HSBC Advance as a complete banking and investment solution for all customers in the emerging affluent segment. It offers various mutual funds products that are managed by a best in class variety of asset management firms in Indonesia.

The Bank also has bancassurance products, Indonesian Government Bonds, and State-Owned Enterprises (SOE) Bonds. By offering various investment products, the Bank aims to become a leader in the wealth management market and trusted partners for customers' investment. To achieve these goals, the Bank approaches and educates middle-upper customer groups, to help them find suitable investment solutions.

Personal Banking

Bank accounts in Rupiah and foreign currencies, as well as debit cards remain as the featured products in the Personal Banking segment, whether in the form of savings account, current accounts, and deposits. For savings accounts, the products are Regular Saving Plan and Tabungan Ekonomi. For debit cards, the Bank has HSBC VISA Debit Card and HSBC National Payment Gateway (GPN) Debit Card.

Throughout 2018, the Bank continued to optimise its network in order to boost the growth of emerging affluent customers and strengthen the penetration of the retail segment in various operational areas.

Personal Lending

For consumer loans, the Bank offers services and products such as Credit Card, Personal Loans, HSBC FlexiCredit, Housing Loans, Personal Overdraft, Smart Money, and Investment Link.

The Bank offers various types of credit cards, including HSBC Premier MasterCard, HSBC Visa Signature, HSBC Visa Platinum, HSBC Platinum Cash Back, and HSBC Gold.

In 2018, the Bank provided credit card options with different value proposition as part of efforts to improve credit card penetration. During the process, the Bank expanded its strategic partners to boost brand, credit card usage, and acquisition in various cities in Indonesia. It also improved penetration of banking products by targeting credit card customers and continued offering premier credit card to strengthen the proposition of the emerging affluent customer base.

To enhance customer loyalty and usage, the Bank also involves merchants and other strategic partners to provide programs, services, and facilities related to installment feature or rewards points through HSBC credit cards.

Retail Business Banking

HSBC Retail Business Banking (RBB) division provides business loans with collateral up to Rp10 billion. The loan capabilities are Term Loan, Overdraft, and Revolving Loan.

To accommodate customers' needs in the small and medium enterprises (SMEs) segment, the Bank rebranded its facilities and business activities. The move is aimed at developing types and varieties of banking products and services to better serve business owners in the Bank's geographic operational areas. The services for RBB segment were launched in August 2017, which was marked by the distribution of products and services for RBB segment in 26 branches across Indonesia. Closing December 2018, RBB has served 2,665 customers within the small and medium enterprises.

Wealth Management

To help customers manage their wealth, the Bank offers services and products for investment, insurance, and wealth management. The investment products include mutual funds, government securities, State-Owned Enterprises bonds, and Dual Currency Investments (DCI).

For insurance products, the Bank offers Care Invest Plus, Credit Pro Plus, Smart Traveller, College Care, Optima Care Invest, AXA Medicare Essential, and Future Care. For wealth management services, the Bank offers services and products such as Managing and Growing Wealth, Children Education Planning, Retirement Planning, and Protection Planning.



In 2018, the Bank continued to improve its Wealth Management services to middle upper class customers by covering daily needs, including: wealth growth and management, children education planning, family protection planning, and pension fund planning.

Throughout 2018, the Bank continued to strengthen the process, system, and internal infrastructure in order to continue to book healthy growth in third-party funds. The Bank also developed additional Wealth Management products by adding mutual funds products, offering various series of government securities, as well as introducing bonds issued by State-Owned Companies. The Bank also participated as a selling agent in the issuance of Government bonds in the primary market (such as retail bond and retail SUKUK) and was active in the secondary market.

In order to support the growth of Wealth Management business in 2018, the Bank reviewed and conducted necessary improvements pertaining to the processes, systems, and infrastructures which are related to investments.

Plans, Strategies, and Focus for 2019

In order to address the competition within the individual banking business segment, the Bank has developed the following strategies that will be prioritised in 2019:

- Increasing the Wealth Management penetration into the middle upper class customer segment by providing products that can help customers fulfill their needs.
- Optimising the branch network to increase the growth of the emerging affluent customers segment.
- Improving the penetration of banking or lending products to credit card users and the retail segment in cities where the Bank operates to serve the public by facilitating their banking needs.
- Improving the penetration of credit card products by providing various options with a varied value proposition.
- Expanding use of strategic partners to improve brand awareness, card usage, and acquisition in various Indonesian cities.
- Strengthening the sales penetration proposition to corporate customers in Indonesia by providing product proposition for their employees i.e Corporate Employee Program.
- Upgrading the Internet Banking and Mobile Banking platform to be more user friendly and have more capabilities for better development.

- Expanding the RBB segment to accommodate the needs of customers in the SME segment with various facilities that support business activities.
- Enhancing RBB product penetration to personal banking customers who are also business owners, and developing features in Internet Banking Business to improve customers' experience, number of transactions, and revenue from Digital Banking.

Commercial Banking

In the Commercial Banking segment, the Bank provides full banking services for a large and varied customer base, from upper business banking to big corporates. The banking services include loan for working capital, project financing, foreign exchange and derivatives transactions, as well as trade finance and cash management services.

In 2018, the Bank continued its program to become "The chosen bank of corporate customers" by having closer collaboration with Global Banking and Markets (GBM). In order to realize this program, the Bank took following steps:

- Improving the penetration into major Indonesian companies by focusing on Global Capital Financing (GCF) products.
- Strengthening partnership with local partners and became more active in Indonesia's capital market by targeting international customers.
- Coordinating with GBM for cross-selling.

To optimize the wallet share of each customer, the Bank developed various strategies, including establishing two trade counters in Kopi branch in Jakarta and Solo, in order to support business trade and expand trade counters networks, which currently exist in Medan, Jakarta, Bandung, Semarang, and Surabaya.

The Bank also offered supply chain solutions by continuing to improve special financing services in certain sectors, including infrastructure, automotive, FMCG, IT, and retail businesses. This was aimed at maximizing the development of trade network.

The Bank actively promoted export financing services for Indonesian companies in order to maximize their business potentials by introducing Global Trade and Receivable Financing (GTRF) for customers outside Jakarta.

The Bank also increased fee-based income from branches outside Jakarta by utilizing the proposition of Trade, Cash Management, and Foreign Exchange.

The Bank has expanded its collection networks through partnerships with local banks and third parties such as switching agents and collection agents.

In general, the Bank's Commercial Banking division performed well in 2018 and will continue to improve its performance during 2019.

Plans, Strategies, and Focus for 2019

With a good performances in 2018, the Bank is optimistic in developing Commercial Banking in 2019. The Bank's focus areas are:

- As a global Bank, HSBC Indonesia brings added value to customers through international connectivity and starting this year, we will maximize our connectivity with Belt and Road Initiatives (BRI) and ASEAN initiatives focusing on the following sectors: Infrastructure, automotive, FMCG, IT, and retail businesses.
- Improving the supervision of Financial Crime Risk (FCR) for all customers.
- Increasing corporate loan growth, particularly for customers who have good credit quality.
- Maintaining credit quality for all customers in order to keep Non Performing Loan (NPL) and Loan Impairment Charges (LIC) at a safe level.
- The Bank also aims to actively increase Current Accounts through promotion of various featured products that cater for customers' needs. The aim is to increase the customers' confidence to place their funds in the Bank.
- Increasing Non-Funds Income (NFI) by collaborating with product teams, particularly to increase the number of products (cross-sell) that are actively used by customers.
- Enhancing overall customers banking experience.
- Supporting and promoting sustainable financing as our corporate responsibility to the community.

Global Banking & Markets

Global Banking and Markets (GBM), focuses on financial service solutions for government institutions, companies, and other institutions across the world. GBM customers are assisted by relationship managers, who serve as a product specialist and provide financial solutions for each customer. Therefore, the Bank strengthens its long-term relationship management with customers to fully understand customers' needs in financial services.

Global Banking

In the Global Banking segment, the Bank focuses on multinational sectors, financial institutions, large local corporates, and state-owned enterprise companies.

Products and services in this segment include Global Capital Financing (GCF), Institutional Banking, GTRF, Global Liquidity and Cash Management (GLCM), HSBC Securities Services (HSS), treasury, and Foreign Direct Investment (FDI).

Multinational Sectors

In this sector Global Banking focuses in providing value proposition and services to multinational companies by leveraging the international network and the full range of product coverage to support their business which includes banking services to support Foreign Direct Investment into Indonesia.

To support the government's infrastructure development, the Bank increases focus in identifying specific projects by establishing HSBC as the preferred Bank for Belt and Road Initiatives (BRI) and infrastructure opportunities by connecting HSBC network with government stakeholders (BKPM, PINA, Bappennas, SMI, MOF, SOE), mapping the ecosystem around the infrastructure project to identify clients and products opportunities across the entire value chain and capturing flows business in the supply chain.



Financial Institutions Groups

In order to increase penetration in financial institutions, the Bank offers repositioning particularly on treasury products. It also conducts cross-selling in full range of banking product and services.

Major Local Companies

The Bank conducts several strategies to increase the portion of event wallet from State-Owned Companies and major local companies:

1. Strengthening senior coverage roles in the business line.
2. Utilising the Bank's strong balance sheet capacity to cross-sell other product proposition to support company's growth strategy.
3. Strengthening the Bank's position to gain opportunities to fund projects and exports.
4. Improving selective penetrations with State-Owned Enterprises and the infrastructure sector.

Global Markets

In developing global markets, the Bank provides full treasury services for corporate, financial institution, and retail customers. The products offered include foreign exchange (FX), derivatives, bonds, and other money-markets products.

The Bank's business strategy within Global Markets continues to focus on activities related to featured products, such as GTRF, GLCM and HSS. The purpose is to provide full services that benefit customers.

The Bank will continue to improve communication with fellow market players or internal teams to maintain interaction and good relationships with customers. The commitment towards market development and deepening of foreign exchange transactions in Indonesia can be strengthened through new products such as FX- Call Spread and FX-Domestic Non Deliverable Forward (DNDF). This is all aimed at providing better services to customers.

HSS, as an integral part of a Global Market business, will continue providing services in several products: Custody Services, Fund Services, and Issuer Services (ISV).

Plans, Strategies, and Focus for 2019

The Bank is optimistic in 2019 and business strategies will focus on the following:

- Expanding business through existing customers, especially in countries within the Bank's main business corridor, through leveraging the international network and unique value proposition.
- Strengthening the senior Relationship Manager (RM) connection with ministries, institutions, and State-Owned Enterprises in order to participate in infrastructure projects and public sector.
- Strengthening the relationship with four largest State-Owned Banks and collaborating with HSS to increase growth in existing clients and expand service coverage. These services will also be provided to large insurance companies and fund managers.
- Increasing the number of customers in GTRF and GLCM in international network, business corridor, and growing sectors.

Marketing Review

Retail Banking

The Bank has a strong commitment to fulfil customers' needs, both individual and corporate, by providing various banking products and services. Products that are specifically offered to individual customers are HSBC Premier and HSBC Advance. HSBC Premier is a banking and wealth management service for upper-class customers that provides global benefits and exclusive services. HSBC Advance is aimed at helping emerging-affluent customers as trusted partners to grow, without having to worry about their financial conditions.

The Bank also initiated a promotion program for HSBC credit cards to cater for the lifestyle of its holders. The Bank offered various benefits for HSBC credit card holders in shopping, dining, and travelling transactions across the world. Another benefit for HSBC credit card holders is the cashback feature or 'reward program' by collecting 'reward points' from all transactions using credit cards. There is also a point exchange with hotel vouchers, mileage programs, shopping vouchers, or discounts in participating Instant Reward Merchants.

Throughout 2018, the Bank carried out credit card promotional programs with selected merchants that are separated into 6 categories:

- Thematic Campaigns that included Ramadhan Program, Independence Day Program, and Year-End Holiday Program.
- E-Commerce online daily deals is a discount and instalment program that is available every day in various e-commerce merchants.
- Dining programs provide discounts or allows consumers to pay their bills with points at various restaurants.
- HAT program is a discount and instalment program for Hotel, Airlines, and Travel Merchant, including Travel E-Commerce Merchant.
- Groceries program offers discounts on certain days.
- Event program includes travel fair, midnight sales, and new gadget launching program.

The Bank also offers Personal Loans with competitive interest rates, quick approval, and maturity starting from 1 year to 3 years. This financing facility is aimed at helping customers

to fulfil short-term financing needs. The Bank also provides housing loans for customers with middle-term and long-term needs, either buying their first house or investment properties. The interest rates of HSBC housing loan are competitive with easy approval and adjusted to the financial needs of customers.

The Bank also developed sophisticated banking technology through various financial distribution channels that are efficient and able to serve customers anytime and anywhere. This includes ATM provision, phone banking, personal internet banking facility for investment purposes and banking transactions, video banking, and mobile banking.

In Indonesia, the Bank has branches in 28 cities including Jakarta, Bandung, Semarang, Surabaya, and Medan. The Bank also opened satellite branches in various shopping malls in Jakarta and Bandung to allow customers to do banking transactions on the weekend through video banking facilities that connect every customer with the Bank's Contact Centre. Customers could also access the Bank's services in more than 77,000 ATM Bersama network and more than 100,000 ATM through the PRIMA network.

In order to serve the owners of small and medium sized enterprises, RBB provides financial solutions for personal and business financial needs. Products and services offered in the program are business loan facility and banking transaction facility.

Moreover, throughout 2018, the Bank also conducted several marketing programs:

Wealth Management

- Throughout 2018, the Bank held 65 education events on Wealth Management & HSBC Banking Capabilities in cities where HSBC branches were located.
- The Bank launched a new Fixed Income Mutual Fund product from PT. Manulife Aset Manajemen Indonesia (Manulife USD Fixed Income Fund), which has been recorded in the administration of financial services authority OJK based on OJK's letter no. SR-19/PB.333/2018 dated 25 April 2018. The product has effectively been distributed by HSBC since 3 May 2018.



- HSBC also marketed Corporate Bonds of State-Owned Enterprises, based on OJK letter no. S-29/PB.333/2018 dated 28 March 2018.
- The Bank marketed Corporate Bonds of Pertamina due in 2022, PGAS due in 2024, and PLN due in 2021 in the secondary market.
- The Bank marketed Retail Sukuk (SR-010) to HSBC customers in the primary market, with offering period between 23 February 2018 to 16 March 2018.
- The Bank was one of the Distribution Partners for ORI-015 in the primary market in October 2018, which was offered on 4 to 24 October 2018.
- The Bank was also chosen as the Distribution Partner of Retail Sukuk SR-011 in the primary market.
- The Bank marketed global bonds issued by the government, such as USD INDON 28N, 29, 49; Global Sukuk INDOIS-23, INDOIS-28 in the secondary market.
- The Bank marketed FR0077 and FR0078 Rupiah Government Bonds in the secondary market.
- Maintained partnership with e-commerce, travel, dining, fashion, electronics, and malls through promotion programmes to strengthen spending and acquisition in related merchants.
- Increased product penetration proposition to customers through product developments that can be enjoyed by Premier and Advance customers.
- Improved communication with banking customers on credit cards' offers and benefits to attract more customers to apply for credit cards.

Retail Business Banking (RBB)

- The Bank also continued improving its service quality in the RBB segment. This product was introduced to the public since August 2017, by offering the RBB services and products in 26 branches across Indonesia. As of December 2018, RBB has provided services to 2,665 owners of small and medium enterprises.
- To support customers' business goals, the Bank has completed feature and proposition of RBB services by simplifying account opening and loan application process. RBB services are mostly introduced to HSBC personal banking customers, who have business needs.

Commercial Banking (CMB)

- To support trade business and increase the amount of transactions, the Bank has opened new trade counters in Jakarta and Solo in 2018. These new counters expanded and strengthened the Bank's commercial banking services in existing trade counters located in Medan, Jakarta, Bandung, Semarang, and Surabaya.

Global Banking & Markets (GBM)

- To support the development and deepening of foreign exchange market in Indonesia, the Bank has offered FX-Domestic Non Deliverable Forward (DNDF) and FX Call-Spread Option. This is in line with Bank Indonesia's effort to provide varied and cheaper hedging instruments for Bank's customers.

Financial Performance Review

The financial performance review described in this report refers to the Financial Statements for the year ended 31 December 2018. The Financial Statements have been audited by Certified Public Accountant Firm Tanudiredja, Wibisana, Rintis, & Partners and received an unmodified opinion, that the Financial Statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2018, and financial performance and its cash flows for the year ended on the date, in accordance with Indonesian Financial Accounting Standards.

Statement of Financial Position

Financial Position	31 December 2018	31 December 2017	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Asset				
Cash	654	582	72	12.37%
Demand deposits with Bank Indonesia	7,778	6,755	1,023	15.14%
Demand deposits with other banks	1,997	1,866	131	7.02%
Placements with other banks	7,508	6,353	1,155	18.18%
Placements with Bank Indonesia	350	1,250	(900)	-72.00%
Investment securities	12,600	13,704	(1,104)	-8.06%
Financial assets held for trading	2,904	5,154	(2,250)	-43.66%
Derivative receivables	542	189	353	186.77%
Securities purchased with agreement to resell	1,094	500	594	118.79%
Export bills	1,082	1,219	(137)	-11.24%
Acceptance receivables	2,406	1,828	578	31.62%
Loans to customers - net	66,344	57,951	8,393	14.48%
Other assets	2,576	2,601	(25)	-0.96%
Properties and equipments – net of accumulated depreciation	669	673	(4)	-0.59%
Intangible assets – net of accumulated amortisation	178	231	(53)	-22.94%
Deferred tax assets	279	162	117	72.22%
Total Assets	108,961	101,018	7,943	7.86%
Liabilities and Equity				
Liabilities				
Deposits from customers	54,907	56,933	(2,026)	-3.56%
Deposits from other banks	8,777	8,577	200	2.33%
Derivative payables	824	527	297	56.36%
Acceptance payables	2,406	1,828	578	31.62%
Securities sold with agreement to repurchase	1,454	-	1,454	100.00%
Income tax payables	1	-	1	100.00%
Accruals and provisions	745	529	216	40.83%
Other liabilities	2,600	2,683	(83)	-3.09%
Borrowings	19,974	13,364	6,610	49.46%
Subordinated debt	1,079	1,018	61	5.99%
Employee benefits obligations	538	691	(153)	-22.14%
Total Liabilities	93,305	86,150	7,155	8.31%
Equity				
Share capital	10,586	10,586	-	0.00%
Additional paid-in capital	258	258	-	0.00%

Financial Position	31 December 2018	31 December 2017	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Other comprehensive income - net				
- Share-based payment program reserves	14	18	(4)	-22.22%
- Other comprehensive loss - net of tax	(102)	-	(102)	-100.00%
Retained earnings:				
- Appropriated	17	4	13	325.00%
- Unappropriated	4,883	4,002	881	22.01%
Total Equity	15,656	14,868	788	5.30%
Total liabilities and equity	108,961	101,018	7,943	7.86%

Total assets as of 31 December 2018 amounted to Rp108,961 billion.

As of 31 December 2018, the Bank's total assets were dominated by loans provided to customers-net and investment securities amounting to Rp66,344 billion and Rp12,600 billion, respectively.

Whereas total liabilities as of 31 December 2018 amounted to Rp93,305 billion. Liability composition was dominated by deposits from customer and borrowings amounting to Rp54,907 billion and Rp19,974 billion, respectively.

Financial Statements Analysis

Assets

As of 31 December 2018, the Bank's total assets reached Rp108,961 billion, increased by Rp7,943 billion compared to 31 December 2017 position.

The Bank's total assets were dominated by loans to customers-net, investment securities, and demand deposits with Bank Indonesia amounted Rp 66,344 billion, Rp 12,600 billion, and Rp 7,778 billion, respectively. Demand deposits with Bank Indonesia were provided to fulfil Bank Indonesia's minimum Statutory Reserve Requirement (GWM) and operational needs. As of 31 December 2018, the reserve balance provided to fulfill the GWM and the operational needs in Rupiah and foreign currencies were 9.40% and 8.13%, respectively.

Description	31 December 2018	31 December 2017	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Asset				
Cash	654	582	72	12.37%
Demand deposits with Bank Indonesia	7,778	6,755	1,023	15.14%
Demand deposits with other banks	1,997	1,866	131	7.02%
Placements with other banks	7,508	6,353	1,155	18.18%
Placements with Bank Indonesia	350	1,250	(900)	-72.00%
Investment securities	12,600	13,704	(1,104)	-8.06%
Financial assets held for trading	2,904	5,154	(2,250)	-43.66%
Derivative receivables	542	189	353	186.77%
Securities purchased with agreement to resell	1,094	500	594	118.79%
Export bills	1,082	1,219	(137)	-11.24%

Description	31 December 2018	31 December 2017	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Acceptance receivables	2,406	1,828	578	31.62%
Loans to customers - net	66,344	57,951	8,393	14.48%
Other assets	2,576	2,601	(25)	-0.96%
Properties and equipments – net of accumulated depreciation	669	673	(4)	-0.59%
Intangible assets – net of accumulated amortisation	178	231	(53)	-22.94%
Deferred tax assets	279	162	117	72.22%
Total Assets	108,961	101,018	7,943	7.86%

Commercial fund surplus was placed in liquid instruments as part of the Bank's risk management on liquidity and funding. Liquid assets are considered as sources of funds that can be quickly disbursed.

The Bank maintained total liquid assets of Rp30,537 billion by 2018. The Bank maintained total liquid assets in cash, current accounts with Bank Indonesia and other banks, placements with other banks, as well as investment securities.

Description	31 December 2018	31 December 2017	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Asset				
Cash	654	582	72	12.37%
Demand deposits with Bank Indonesia	7,778	6,755	1,023	15.14%
Demand deposits with other banks	1,997	1,866	131	7.02%
Placements with other banks	7,508	6,353	1,155	18.18%
Investment securities	12,600	13,704	(1,104)	-8.06%
Total	30,537	29,260	1,277	4.36%

Loans to customers

The biggest composition of the Bank's total assets as of 31 December 2018 was loans to customers-net which accounted for 60.89% or amounted to Rp66,344 billion. Comparing to the same position last year, loan to customers-net increased by 14.48%.

Loans by currency

As of 31 December 2018, the composition of loans based on currencies denominated in Rupiah and foreign currencies was 45.69% and 54.29%, respectively.

Loans in Rupiah amounted to Rp31,291 billion, while foreign currency loans were recorded at Rp37,184 billion.

Loans by type

As of 31 December 2018, the composition of type-based loans was still dominated by working capital loans with a contribution of 79.20% of total loans to customers.

Loans based on the collectibility classification of Bank Indonesia

Based on the collectibility classification as per Bank Indonesia (BI) as of 31 December 2018, 94.31% of the total loans to customers were loans with current collectibility with total amount of Rp64,590 billion.

Loans composition by economic sector

Below is a table showing data on loan composition based on economic sector.

Description	2018		2017		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Business and social and community services	8,366	12.22%	4,140	6.84%	4,224	102.03%
Construction	3,887	5.68%	5,113	8.45%	(1,226)	-23.98%
Transportation, warehousing and communication	4,875	7.12%	4,091	6.76%	785	19.19%
Trading, restaurant and hotel	13,681	19.98%	15,079	24.91%	(1,398)	-9.27%
Industry	28,557	41.70%	22,715	37.52%	5,842	25.72%
Others	9,109	13.30%	9,397	15.52%	(287)	-3.05%
Total	68,475	100.00%	60,535	100.00%	7,940	13.12%

Non-performing loan

The gross non-performing loan ratio as of 31 December 2018 was 2.52%. The amount of non-performing loan was Rp1,726 billion of total loans to customers – gross.

Whilst the net non-performing loan ratio was 1.22% where the amount of net non-performing loan was Rp836 billion of total loan to customers - gross.

NON PERFORMING LOAN RATIO (NPL)	(Rp Billion)
Non-Performing Loan	
Sub-standard	313
Doubtful	288
Loss	1,125
Total Non-Performing Loan	1,726
Total Loan	68,475
NPL Gross	2.52%
Allowance for impairment losses	
Allowance Sub-standard	116
Allowance Doubtful	131
Allowance Loss	643
Non-Performing Loan - Net	
Sub-standard - net	197
Doubtful - net	158
Loss - net	481
Total Non-Performing Loan - Net	836
Total Loan	68,475
NPL Net	1.22%

Liabilities and Equity

Liabilities

Composition of Liabilities	31 December 2018	31 December 2017	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Deposits from customers	54,907	56,933	(2,026)	-3.56%
Deposits from other banks	8,777	8,577	200	2.33%
Derivative payables	824	527	297	56.36%
Acceptance payables	2,406	1,828	578	31.62%
Securities sold with agreement to repurchase	1,454	-	1,454	100.00%
Income tax payables	1	-	1	100.00%
Accruals and provisions	745	529	216	40.83%
Other liabilities	2,600	2,683	-83	-3.09%
Borrowings	19,974	13,364	6,610	49.46%
Subordinated debt	1,079	1,018	61	5.99%
Employee benefits obligations	538	691	(153)	-22.14%
Total Liabilities	93,305	86,150	7,155	8.31%

Total liabilities of the Bank as of 31 December 2018 amounted to Rp93,305 billion. The composition of liabilities in 2018 was dominated by deposits from customers and borrowings from HSBC Hong Kong in USD, i.e. 58.85% and 21.41% of total liabilities, respectively.

Deposits from customers

Deposits from customers reached Rp54,907 billion as of year ended 2018 which decreased by 3.56% compared to 2017. The reduction was mainly contributed by a decrease in saving accounts balance by Rp902 billion. Ratio of Demand Deposit and Saving Accounts over Time Deposits was 68% : 32%.

Deposits from Customers	2018		2017		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Demand Deposits	24,961	45.46%	25,576	44.92%	(615)	-2.40%
Saving Accounts	12,228	22.27%	13,130	23.06%	(902)	-6.87%
Time Deposits and Deposit On Call	17,718	32.27%	18,227	32.02%	(509)	-2.79%
Total	54,907	100.00%	56,933	100.00%	(2,026)	-3.56%

Demand deposits

By currency type, demand deposits in Rupiah has the largest contribution of 61.87% or Rp15,444 billion.

Currency	2018		2017		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Rupiah	15,444	61.87%	15,458	60.44%	(14)	-0.09%
Foreign currency	9,517	38.13%	10,118	39.56%	(601)	-5.94%
Total	24,961	100.00%	25,576	100.00%	(615)	-2.40%

Saving accounts

The balance of savings on 31 December 2018 amounted to Rp12,228 billion. The composition of savings accounts was dominated by savings in foreign currency with the contribution of 60.42% of total saving accounts.

Currency	2018		2017		Pertumbuhan	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Rupiah	4,840	39.58%	5,409	41.20%	(569)	-10.52%
Foreign currency	7,388	60.42%	7,721	58.80%	(333)	-4.31%
Total	12,228	100.00%	13,130	100.00%	(902)	-6.87%

Time deposits & Deposit On Call

Based on the contractual period, in 2018, the largest composition of time deposits was in the category time band of three months at 55.63%.

Maturity	2018		2017		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
1 month	2,456	13.86%	2,794	15.33%	(338)	-12.10%
3 month	9,856	55.63%	10,649	58.42%	(793)	-7.45%
6 month	2,376	13.41%	2,421	13.28%	(45)	-1.86%
12 month	3,030	17.10%	2,363	12.96%	667	28.23%
Deposits on call	0	0.00%	0	0.00%	0	0.00%
Total	17,718	100.00%	18,227	100.00%	(509)	-2.79%

Equity

At the end of 2018, the Bank's authorised capital was Rp20,000 billion, with issued and paid-up capital of Rp10,586 billion.

The Bank's retained earnings increased by Rp894 billion in 2018 to Rp4,900 billion.

Thus, the Bank's equity balance in 2018 was recorded at Rp15,656 billion, an increase of Rp788 billion compared to the previous year of Rp14,868 billion.

Composition of Equity	31 December 2018	31 December 2017	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Share capital	10,586	10,586	-	0.00%
Additional paid-in capital	258	258	-	0.00%
Other comprehensive income				
- Share-based payment program reserves	14	18	(4)	-22.22%
- Other comprehensive loss - net of tax	(102)	-	(102)	-100.00%
Retained earnings:				
- Appropriated	17	4	13	325.00%
- Unappropriated	4,883	4,002	881	22.01%
Total Equity	15,656	14,868	788	5.30%

Statement of Profit or Loss and Other Comprehensive Income

Description	31 December 2018	31 December 2017	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Interest Income	5,976	5,050	926	18.34%
Interest Expenses	(1,796)	(1,397)	(399)	28.56%
Net Interest Income	4,180	3,653	527	14.43%
Fees and commission income	1,401	1,064	337	31.67%
Other operational income	903	699	204	29.18%
Impairment losses on financial assets - net	(1,316)	(833)	(483)	57.98%
Total operating income	5,168	4,583	585	12.76%
Total operating expenses	(3,902)	(3,065)	(837)	27.31%
Profit before tax	1,266	1,518	(252)	-16.60%
Income tax expenses	(371)	(147)	(224)	152.38%
Net profit of the year	895	1,371	(476)	-34.72%
Other comprehensive income/(loss)	(104)	(39)	(65)	166.67%
Total comprehensive income for the year	791	1,332	(541)	-40.62%

Revenue and Profitability

Interest income in 2018 was Rp5,976 billion. In 2018, interest income from loans to customers contributed 76.41% of the total interest income or Rp4,566 billion.

Interest income from investment securities in 2018 amounted to Rp999 billion with total amount of 16.72% of the total interest income.

Interest Income	2018		2017		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Loan to customers	4,566	76.41%	4,115	81.47%	451	10.96%
Investment securities	999	16.72%	707	14.00%	292	41.30%
Securities purchased with agreement to resell	132	2.21%	92	1.82%	40	43.48%
Placement with Bank Indonesia	61	1.02%	74	1.47%	(13)	-17.57%
Loans and advances to banks	22	0.37%	9	0.18%	13	144.44%
Demand deposits with Bank Indonesia	14	0.23%	1	0.02%	13	1300.00%
Others	182	3.04%	52	1.04%	130	250.00%
Total	5,976	100.00%	5,050	100.00%	926	18.34%

Interest expenses

Interest expense in 2018 amounted to Rp1,796 billion. The highest interest expenses came from time deposits and deposits on call with a contribution of 46.27% from the total interest expense with an amount of Rp831 billion.

Interest Expense	2018		2017		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Demand deposits	372	20.71%	191	13.67%	181	94.76%
Saving accounts	69	3.84%	97	6.94%	(28)	-28.87%
Time deposits and deposits on call	831	46.27%	862	61.70%	(31)	-3.60%
Borrowings and subordinated debt	499	27.78%	222	15.89%	277	124.77%
Others	25	1.40%	25	1.80%	-	0.00%
Total	1,796	100.00%	1,397	100.00%	399	28.56%

Net interest income

As of December 31, 2018, the Bank booked net interest income of Rp4,180 billion. To maintain net interest income, the Bank has proactively reviewed the Bank's funding composition on a regular basis in order to control funding costs and maintain the Net Interest Margin (NIM) at an optimum level.

Non-Interest Income

In 2018, non-interest income amounted to Rp2,304 billion. The increase was mainly contributed by increase in net fees and commissions income by 31.67% compared to 2017.

Non-Interest Income	2018		2017		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Net fees and commissions income	1,401	60.81%	1,064	60.35%	337	31.67%
Other operating income	903	39.19%	699	39.65%	204	29.18%
Total	2,304	100.00%	1,763	100.00%	541	30.69%

Impairment losses on financial assets - net

As of 31 December 2018, the impairment losses of financial assets amounted to Rp1,316 billion. This increased in line with the increase in loans to customers.

Operating Expenses

During 2018, operating expenses amounted to Rp3,902 billion. The largest operational expense was employees' expense, which accounted for 48.10% of the total operating expenses.

Operating Expenses	2018		2017		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Employees expenses	1,877	48.10%	1,630	53.18%	247	15.15%
General and administrative expenses	1,805	46.26%	1,250	40.78%	555	44.40%
Depreciation expenses of properties and equipments	165	4.23%	130	4.24%	35	26.92%
Amortisation expenses of intangible assets	55	1.41%	55	1.80%	-	0.00%
Total	3,902	100.00%	3,065	100.00%	837	27.31%

Profit Before Tax

In 2018, the Bank booked a profit before tax of Rp1,266 billion. Profit before tax decreased from the previous year due to one-off expense related to Underpayment Assessment period April 2017 amounted to Rp428 billion. Excluding the one-off expense, the Bank's profit before tax would be Rp1,694 billion, increased by 11.59% compared to 2017.

Statement of Comprehensive Income

The Bank recorded comprehensive income of Rp791 billion in 2018.

Net Profit

In 2018, the Bank's net profit reached Rp895 billion.

Statement of Comprehensive Income

Description	31 December 2018	31 December 2017	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Net profit for the year	895	1,371	(476)	-34.72%
Other comprehensive income:				
Available-for-sale investments				
- Profit/(Loss) during the year	(117)	(7)	(110)	1571.43%
Remeasurements from post-employment benefits obligation:				
- Actuarial gain (loss) during the year	13	(32)	45	140.63%
Other comprehensive (loss)/income, net of tax	(104)	(39)	(65)	166.67%
Total Comprehensive Income for the Year	791	1,332	(541)	-40.62%

Statement of Cash Flow

Description	31 December 2018	31 December 2017	Fluctuations	
	Rp Billion	Rp Billion	Rp Billion	%
Cash from Operating Activities	(5,529)	(20,755)	15,226	73.36%
Cash from Investing Activities	788	12,077	(11,289)	-93.48%
Cash from Financing Activities	5,921	21,907	(15,986)	-72.97%
Net Increase/(Decrease) in Cash and Cash Equivalent	1,180	13,228	(12,048)	-91.08%
Effect of Foreign Exchange Rate Fluctuation on Cash	300	-	300	100.00%
Cash and Cash Equivalent, 1 January	16,806	3,578	13,228	369.70%
Cash and Cash Equivalent, 31 December	18,286	16,806	1,480	8.81%

At the end of the 2018, the Bank recorded a final balance of cash and cash equivalents of Rp18,286 billion. The cash flows consist of cash flows from operating activities of -Rp5,529 billion, cash flows from investment activities of Rp788 billion, and cash flows from financing activities of Rp5,921 billion.

Cash flows from Operating Activities

Net cash from operating activities in 2018 amounted to -Rp5,529 billion, an increase of 73.36%. The increase in cash from operating activities is an impact of the transfer of assets and liabilities due to integration in 2017 where there is reclassification from cash from operating activities to cash from investing activities

Cash flows from Investing Activities

Net cash provided by investing activities in 2017 amounted to Rp788 billion, a decrease of 93.48% from cash flow for investment activity in 2017. As mentioned earlier, the decrease in cash from investing activities is an impact of the transfer of assets and liabilities due to integration in 2017 where there is reclassification from cash from operating activities to cash from investing activities.

Cash flows from Financing Activities

Net cash provided by financing activities in 2018 amounted to Rp5,921 billion, a decrease of 72.97% from cash flows from financing activities in 2017. The higher cash flows from financing activities in the previous year was due to proceeds received from issuance of share capital of Rp8,000 billion and proceed from borrowings and subordinated debt of Rp13,900 billion in 2017, which became the part of integration process between The Bank with KCBA HSBC.

Liquidity and Solvency

To measure the Bank's financial ability to meet its obligations as they are due, the Bank uses several liquidity ratios such as the Loan to Funding Ratio (LFR), Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR). LFR describes customer deposits used for financing loans to customers and the Bank's LFR ratio as of 31 December 2018 was 124.71%. In addition to customer deposits, the Bank also has long term borrowing as a source of funding. If the Bank considers long term borrowing as a source for loans, the Bank's LFR Ratio will be below 100%.

Besides LFR, to measure liquidity in fulfilling obligations as they mature, the Bank also uses the NSFR ratio to monitor funding risk and LCR to monitor liquidity risk daily. The Bank's NSFR and LCR ratio as of 31 December 2018 were 150.29% and 379.02%, respectively.

Description	2018	2017
Loan to Funding Ratio (LFR)	124.71%	106.55%
Liquidity Coverage Ratio (LCR)	379.02%	438.46%
Net Stable Funding Ratio (NSFR)	150.29%	128.88%
Leverage ratio	13.08%	13.34%

Other Material Information

Ability to Pay Debt

The Bank's ability to meet all debts, including long term and short-term debts, is measured by liquidity and solvency ratio. Until the end of 2018, the Bank's ability to pay debt was good as represented by proper liquidity and solvency ratios.

Ability to Pay Short-Term Debt (Bank Liquidity)

At the end of 2018, the Bank's liquidity level as measured by the Loan to Funding Ratio (LFR) was 124.71%. The Bank always maintains the balance between the funding needs and the provision of funds. The Bank also diversifies its funding by obtaining long-term borrowing to support the Bank's liquidity.

Ability to Pay Long-Term Debt (Bank Solvency)

The Bank's ability to pay long-term debt is measured by the Capital Adequacy Ratio (CAR). The Bank's CAR ratio as of 2018 was 20.79%. This indicates the structure of the Bank's capital is sufficient to meet credit risk, market risk, and operational risk as the ratio is higher than the minimum capital adequacy ratio set by Bank Indonesia that is 9%-10%.

Loan Collectibility

The Non Performing Loan (NPL) gross ratio as of 31 December 2018 was 2.52%. The Bank's NPL-net ratio was at 1.22%.

Capital Structure and Management Policy on Capital Structure

The Bank calculated the capital requirement as of 31 December 2018 based on the Financial Services Authority Regulation No. 11/POJK.03 /2017 regarding "Minimum Capital Adequacy Requirement for Commercial Banks" enacted in 2 February 2017 and as amended by POJK No. 34/POJK.03/2017. The required capital by the regulator is analysed in two tiers as follows:

- Tier 1 capital, which consists of common equity Tier-1 and additional Tier-1 capital. The common equity Tier-1 includes, among others, issued and fully paid-up capital, additional paid-in capital, general reserves, last year's profit and current period/year (100%), other comprehensive income in the form of profit/loss arising from changes in fair value of financial assets in the available-for-sale assets, the excess of the allowance for uncollectible

accounts under prevailing regulations and allowance for impairment losses on earning assets. Deferred tax assets and intangible assets are key reducing factors of Tier-1 capital. The Bank does not have additional Tier-1 capital.

- Tier 2 capital includes subordinated debt and general allowance for earning assets in accordance with prevailing regulations.

The Risk Weighted Assets (RWA) of the Bank is based on predetermined requirements reflecting various levels of risks associated with assets and exposure, which are not reflected within the financial statements. Based on the prevailing regulations, the Bank is required to consider credit risk, market risk, and operational risk in measuring the Bank's RWA.

Management uses the capital ratio required by the regulator to monitor the Bank's capital. These capital ratios remain the industries' standards for measuring capital adequacy. OJK's approach to the measurement is primarily based on monitoring the relationship between the Bank's risk profile and the availability of capital. Banks are required to provide minimum capital according to their risk profile.

The provision of minimum capital is stipulated as follows:

1. For banks that are ranked 1st within the risk rating profile, the lowest required minimum capital is 8% (eight percent) of the RWA;
2. For banks that are ranked 2nd within the risk rating profile, the lowest required minimum capital is 9% (nine percent) to less than 10% (ten percent) of the RWA;
3. For banks that are ranked 3rd within the risk rating profile, the lowest required minimum capital is 10% (ten percent) to less than 11% (eleven percent) of the RWA; and
4. For banks that are ranked 4th within the risk rating profile, the lowest required minimum capital is 11% (eleven percent) to less than 14% (fourteen percent) of the RWA;



Other Material Information

Several restrictions also apply to parts of capital required by regulators, such as the Bank is required to provide the lowest Tier 1 capital of 6% (six percent) of the RWA and the Common Equity Tier 1 at the lowest of 4.5% (four point five percent) of RWA.

The Bank has met all capital requirements set by external parties throughout the reporting period.

The capital positions required by Bank regulators in accordance with the regulations as of 31 December 2018 are as follows:

Minimum Capital Adequacy	
Tier 1 Capital	31 December 2018
Share Capital	10,586
Additional paid-in capital	258
General reserve	17
Retained earnings	3,988
Profit for the period	895
Other comprehensive income	(63)
Negative differences between regulatory provision and allowance for impairment losses on productive assets	(123)
Non-earning asset provision that should be calculated	(23)
Deferred tax calculation	(279)
Other intangible assets	(178)
Tier 2 Capital	
Capital instrument such as shares, subordinated debts or others meeting the requirement of Tier 2 capital	1,079
General allowance for earning assets	901
Total Capital	17,058
Risk Weighted Asset (RWA)	
Credit risk	74,202
Market risk	2,609
Operational risk	5,230
Total Risk Weighted Asset (RWA)	82,041
Capital Adequacy Ratio	20.79%
CET 1 Ratio	18.38%
Tier 1 Ratio	18.38%
Tier 2 Ratio	2.41%
Capital Conservation Buffer	1.88%
Countercyclical Buffer	0.00%
Domestically Systemically Important Bank	0.75%
Required Capital Adequacy Ratio	9% to less than 10%.
Required minimum CET 1 Ratio	4.50%
Required minimum Tier 1 Ratio	6.00%

The Bank calculates the minimum capital according to the risk profile for the position as of December 2018 by using the risk profile position of June 2018.

Based on the Bank's self-assessment, the Bank's risk profile is ranked 2nd. Therefore, the Bank is obliged to meet the minimum capital of 9% to less than 10%. As of 31 December 2018, the Bank's CAR was 20.79% which was above the mandatory minimum capital of 9% to less than 10%.

Transactions with Affiliated Parties

During 2018, there were no material transactions with affiliated parties creating a conflict of interest.

The details of the relationship and type of transactions with related parties as of 31 December 2018 were as follows:

Related Party	Nature of relationship	Type of transaction
HSBC Bank Australia Ltd	Affiliated company	Demand deposits and derivative transactions
HSBC Bank Canada	Affiliated company	Demand deposits and fees and commissions expense
The Hongkong and Shanghai Banking Corporation Limited, (Thailand branch) Bangkok	Affiliated company	Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (Australian branches) Sydney	Affiliated company	Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (Indian branches) Mumbai	Affiliated company	Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (Japanese branches) Tokyo	Affiliated company	Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (New Zealand branches) Auckland	Affiliated company	Demand deposits
Hang Seng Bank Ltd	Affiliated company	Call money
HSBC Bank plc	Affiliated company	Demand deposits, acceptance and derivative transactions
The Hongkong and Shanghai Banking Corporation Limited, (Singaporean branches) Singapore	Affiliated company	Demand deposits, acceptance, derivative transactions, and other liabilities
The Hongkong and Shanghai Banking Corporation Limited	Affiliated company	Demand deposits, deposits, acceptance, derivative transactions, call money, borrowings, investment securities, accrued expenses and communication services
The Hongkong and Shanghai Banking Corporation Limited, Jakarta branch	Affiliated company	Deposits and demand deposits
HSBC Trinkaus and Burkhardt AG	Affiliated company	Acceptance
HSBC Bank Malaysia Berhad	Affiliated company	Acceptance
HSBC Amanah Malaysia Berhad	Affiliated company	Demand deposits
HSBC Asia Pacific Holdings (UK) Ltd	Parent company	Other liabilities, Subordinated debt
Board of Commissioners, Board of Directors, and their families	Key management	Loans to customers and Deposits from customers
HSBC Bank USA	Affiliated company	Demand deposits and derivative transactions
HSBC Bank (China) Company Limited	Affiliated company	Demand deposits and acceptance
HSBC France	Affiliated company	Demand deposits
HSBC Bank Polska S.A.	Affiliated company	Acceptance
HSBC Bank (Taiwan) Limited	Affiliated company	Demand deposits and acceptance

Dividend Policy

The annual dividend policy is determined through the approval of the Annual General Meeting of Shareholders (AGMS). In 2018, AGMS determined not to share any dividend.

Employee Share Ownership Program

During 2018, the Bank did not implement the employee share ownership program.

Significant Changes in Laws and Regulations Affecting The Bank

In 2018 there were regulations issued by Bank Indonesia (BI) and the Financial Services Authority (OJK), both new regulations and changes to regulations that affected the company's performance. In total there were 66 regulations that have been issued and have been socialized to the Bank internally and specifically followed up by related parties, including regulations concerning:

- Determination of Systemic Banks and Capital Surcharge
- Implementation of Digital Banking Services by Commercial Banks
- Legal Lending Limit
- Limitation of Giving Credit or Financing for Land Procurement and / or Land Processing
- Implementation of Risk Management and Standard Approach Risk Measurement for Interest Rates Risk in the Banking Book
- Customer Complaints Services in the Financial Services Sector
- Legal Lending Limit and Provision of Funds
- Macro-prudential Intermediation Ratios and Macro-prudential Liquidity Buffers
- Minimum Regulatory Statutory Deposits in Rupiah and Foreign Currency
- Loan to Value Ratio for Property Loans, Financing to Value Ratios for Property Financing, and Advances for Motorized Vehicle Loans or Financing
- Transactions of Foreign Currency Against Rupiah Between Banks and Domestic Parties & Foreign Parties

Changes in Accounting Policies Implemented in 2018

Except as described below, the accounting policies applied are consistent with those of the financial statements for the year ended 31 December 2018, which conform to the Indonesian Financial Accounting Standards.

The adoption of these new and amended standards and interpretations that are effective beginning 1 January 2018 did not result in substantial changes to the Bank's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

- Amendment to SFAS 2 "Statements of Cash Flows"
- Amendment SFAS 16 "Property, Plant and Equipment"
- Amendment SFAS 46 "Income Taxes"
- Amendment SFAS 53 "Shared Based Payments"
- Annual Improvements to SFAS 67 "Disclosures of Interests in Other Entities"

New standards, amendments and interpretations issued, that effectively will be implemented for the financial year beginning 1 January 2019 are as follows:

- ISFAS 33 "Foreign current transactions and advance consideration"
- ISFAS 34 "Uncertainty over income tax treatments"

The following are new accounting standards and interpretations that have been published but will be mandatory applied for financial years commencing on or after 1 January 2020. Early adoption is permitted.

- SFAS 71 "Financial Instruments"
- SFAS 72 "Revenue from contracts with customers"
- SFAS 73 "Leases"

The Bank will adopt the SFAS 72 and SFAS 73 early starting on 1 January 2019. The Bank expects to adopt the standard on a modified retrospective basis, recognising the cumulative effect, if any, of initially applying the standard as an adjustment to the opening balance of retained earnings, and comparatives are not restated.

Supporting Business Review

HUMAN RESOURCES

During 2018, the Bank continued to invest in human resources capabilities in order to support the Bank's growth following the successful integration in 2017. Human Resources (HR) department achieves this by supporting the Bank's growth, adapting and aligning with market changes, particularly in the banking industry, delivering an outstanding people experience and through the continuous improvement of our HR policy, governance and people risk management

Employee Profile

The Bank's employees as of 31 December 2018 totalled 4,300, a 7% decrease from the previous year.

The composition of the Bank's Human Resources as of 31 December 2018 was as follows:

Composition of the Human Resources based on Educational Level

Education	2018		2017	
	Number of Employees	Percentage	Number of Employees	Percentage
Doctoral Degree	3	0.07%	-	0.00%
Master Degree	240	5.58%	269	5.81%
Bachelor Degree	3,631	84.44%	3,733	80.64%
Diploma 3	208	4.84%	271	5.85%
Diploma 1	35	0.81%	41	0.89%
Senior High School	183	4.26%	315	6.81%
Total	4,300	100.00%	4,629	100.00%

In 2018, over 90% of the Bank's employees held a Bachelor degree or higher, a 5 percent increase from the previous year. This increase was caused by the demand for employees with a higher education to increase the quality of the Bank's performance.

Composition of the Human Resources based on Age

Age	2018		2017	
	Number of Employees	Percentage	Number of Employees	Percentage
18-30 years old	1,641	38.16%	1,886	40.74%
31-40 years old	1,711	39.79%	1,788	38.63%
41-50 years old	827	19.23%	847	18.30%
Above 50 years old	121	2.82%	108	2.33%
Total	4,300	100.00%	4,629	100.00%

In 2018, the employee composition was still dominated by the young generation. Over 78% of the employees were under 40 years. This composition has remained stable over the past few years.

Composition of the Human Resources based on Organisation Level

Organisation Level	2018		2017	
	Number of Employees	Percentage	Number of Employees	Percentage
Top Management	8	0.19%	11	0.24%
Middle Management	152	3.53%	126	2.72%
Lower Management	881	20.49%	672	14.52%
Staff and Others	3,259	75.79%	3,820	82.52%
Total	4,300	100.00%	4,629	100.00%

The composition of the Bank's Human Resources based on the organisational level demonstrates its organisational structure. Based on the composition of Middle Management, Lower Management, and the Bank's employees (152 : 881 : 3,259), in 2018, on average one Manager headed 5 or 6 staff. This ratio is close to the directive that recommends that 1 manager heads 8 employees to ensure an efficient and effective organisational management.

The Composition of the Human Resources based on Employment Status

Employment Status	2018		2017	
	Number of Employees	Percentage	Number of Employees	Percentage
Permanent Employee	3,649	84.86%	3,789	77.15%
Contract Employee	651	15.14%	840	17.00%
Total	4,300	100.00%	4,629	100.00%

In 2018, the number of the Bank's Contract Employees decreased from 835 to 651, mostly due to the large number of temporary jobs that have been completed.

The Composition of the Human Resources based on Gender

Gender	2018		2017	
	Number of Employees	Percentage	Number of Employees	Percentage
Male	1,910	44.42%	2,093	45.21%
Female	2,390	55.58%	2,536	54.79%
Total	4,300	100.00%	4,629	100.00%

In 2018, the composition of HR based on gender did not change from the previous years. The number of the Bank's female employees was higher than that of male employees, with 55.58% of the Bank's employees being female and 44.42% male. This proves that the Bank provides an extensive opportunity for women to pursue a career in the Banking sector.

Implementation of the Remuneration Policy Including Material Risk Takers

The Bank implements a remuneration policy that is aligned with the principles of good corporate governance, including the identification of Material Risk Takers (MRT) and the deferred variable remuneration for MRT to support prudent risk taking.

Performance Management

Performance management is a year-round activity, which guides the way the Bank works. It is a key component that drives business outcomes, and the development of performance, behaviours, and careers. In 2018, we emphasised the importance of Everyday Performance & Development (EPD) and we expect frequent employee-manager check-in conversations to enhance performance and support development and well-being. This HR system has been introduced to support a robust dialogue process between the Bank's employees and their managers.

Year-End Pay Review Related Changes

Streamlined Variable Pay (SVP) is a simpler, fairer, and more transparent approach to discretionary variable pay, which will be operational from Performance Year 2018 for junior roles in functions and operations. SVP will provide a greater transparency as variable pay will be awarded in a consistent manner that is based on the matrix of employee performance and behaviour ratings.

Meanwhile, Country Fixed Pay Adjustments (CFPA) is a minimum percentage of fixed pay increase applied to employees at Band 4 and below, taking into consideration of country inflation and cost of living.

Employee Recruitment

To support business growth, strengthen the senior management team, and build a strong financial crime risk culture, the Bank recruited key talent for key critical roles, such as: Head of Global Banking, Head of Corporate Sales, Head of Retail Banking, and Head of Financial Crime Threat Mitigation.

By the end of 2018, the Bank recruited 792 permanent and contract employees. A number of initiatives had been put in place to reduce the turn-around time when backfilling critical roles, such as: conducting external talent mapping for the Head of Business and the Head of Department roles, and optimising the HSBC brand in the external job portal (LinkedIn) to reduce the cost of agency fees when searching for executive talent.

Human Resources Development Strategy

After a successful integration, the Bank is planning to grow in the Indonesian banking sector. The Bank's HR strategy focuses on three (3) key areas:

1. Planning HR requirements to support future strategy achievement.
2. Grooming, retaining, and rewarding key talent.
3. Grooming local talent from an early stage for managerial positions.

Training and Development

The Bank regularly develops new training and development programmes to improve employee capacity, both internally and externally. To support the achievement of the Bank's business strategy, the training and development programmes encompass hard skills/technical competencies, soft skills, leadership education, and in-house training in specific fields.

The programme is grouped into:

- Business or role specific technical/functional competency: Learning and development programme focused on specific competencies required by employees to perform their duties efficiently and effectively.
- Leadership competency: Learning and development programme focused on the leadership and managerial area for employees in structural/leadership roles.
- Risk management competency: Learning and development programme focused on risk management topics specific to each employee's position.
- General competency: Learning and development programmes focused on general competencies that reflect the values that must be held by all employees. These programmes includes training in the fields of values and culture.

The Bank conducts training and development programmes through the following activities:

- Seminars, workshops, and conferences .
- Training and certification programmes required by regulators and the Bank, including Global Mandatory Training (GMT), Financial Crime and Compliance (FCC), Global Standard and Risk Management Certification, Treasury Certification, WAPERD and AAJI.
- Foreign Language training programme (English).
- Training programme for new employees Induction.
- Internal and external socialisation programmes that cover products, processes, systems, procedures, policies and provisions.
- Introduction to the Corporate Culture programme.
- Early talent identification programme for the best graduates through the Global Graduate Programme (GGP) and the Corporate Functions Graduate Programme (CFGP).



In order to enhance the capacity of its employees, in 2018, the Bank held development programmes for 5,470 employees with a total training participation of 64,952. On average, each employee received training 3.41 times a year.

Number of Employee	Number of Training Hours	Training Hours per Employee	Number of Training Participants	Number of Trained Staff
4,496	107,199	23.8	64,952	5,470

Number of Participants based on Training Types:

Training Type	Total
INTERNAL TRAINING:	62,045
Assessment	8,955
Elearning	48,829
ILT	3,765
VILT	496
EXTERNAL TRAINING:	2,907
Total	64,952

Training for the Board of Commissioners and the Board of Directors

Members of the Board of Directors and the Board of Commissioners participated in several training programmes in 2018 to improve their capacity, covering the following:

Training	Organizer	Time and Venue
Board of Commissioners		
Risk Management Certification for BOC	LSPP	Jakarta, 20 Jan 2018
Board of Directors		
BARA Risk Forum: Cyber Risk Management and Financial Crime in Banking Industry: Get to Know More and Prepare for These Emerging Risks	BARA	Bali, 12-13 Jul 2018
Operational Risk Bootcamp Refreshment 2018	Internal	Jakarta, 26-27 Jul 2018 Jakarta, 21 Nov 2018
Building Financial Crime Capabilities for Senior Leaders	HSBC University	Jakarta, Jan-Dec 2018
Anti Bribery and Corruption for Senior Leaders	HSBC University	Jakarta, Jan-Dec 2018
Managing Financial Crime Risk for Senior Leaders	HSBC University	Jakarta, Jan-Dec 2018
Dissemination of PPATK Regulation Change on the Implementation of Information Request Procedure to the Financial Transaction Analysis and Reporting Center	PPATK	Jakarta, 13 Dec 2018
Seminar on Banking Compliance Active Role in Maintaining Stability through Terrorism Funding Prevention	FKDKP	Jakarta, 26 Jun 2018
Country Leadership Programme	HSBC University	Hong Kong, 8 Nov 2018

Global Mandatory Training (GMT)

In 2018, the GMT programme was further developed to improve the learning experience. This was done through a collaboration between the Risk Steward and the Subject Matter Expert (SME), as well as consideration of the feedback from the previous GMT programme in 2017.

Programme Type	Number of Participants	Completion Rate
HSBC and Me	4,486	99.75%
My Financial Crime Risk Responsibilities	4,484	99.53%
Conduct and Me	4,479	98.69%
Discovery Global Induction (DGI) Programme	679	96.76%

Overview of the GMT Calendar 2018

Trimester 1/2018 Apr - Jun	Trimester 2/2018 Jun - Sep	Trimester 3/2018 Sep - Nov
HSBC and Me	My FCR Responsibilities	Conduct and Me
Managing Risk at HSBC, Data Privacy and Cyber Security, Health, Safety and Well-being	AML (inc Tax Transparency), Sanctions, AB&C	Conduct, Insider Risk
Assign 18 April - Complete 15 June	Assign 13 June - Complete 14 Sept	Assign 28 Sept - Complete 27 Nov

Financial Crime Risk Training Programme

The Bank organised a number of development programmes in relation to Financial Crime Risk, which were conducted through HR Learning, to support the Bank's Financial Crime Risk Management (FCRM). The objectives of the programmes included:

- Fighting financial crime in the society and economic systems of the Bank's operations.
- Increasing employee awareness of the FCRM framework to reflect the customers' relationship cycle with the Bank.

The Financial Crime Risk training programme held by HR Learning included :

- Building Financial Crime Capabilities (BFCC)
BFCC is a programme designed for employees in high risk roles. It is a continuation of the Anti-Money Laundering (AML) and the Sanctions High Risk Role Training programmes, which have been conducted since 2015. During 2018, the BFCC training programme consisted of 18 curriculum assigned to 1,963 employees from each business function. The number of employees who have completed the training totals 1,390, or 70.81% of all of the Bank's employees.

- Anti-Bribery & Anti-Corruption Training (AB&C) for Employees in High Risk Roles (HRR)
AB&C HRR Training is a new high risk role training programme which has been implemented starting from September 2018. This training programme consists of 4 curriculars which are assigned to 212 employees from each business and function, and 98.58% of the employees have completed the assigned curriculars.

HSBC Leadership Training Programme

The Bank runs several flagship leadership training programmes, some of which are a part of the HSBC University programme. In 2018, the number of employees who participated in these programme reached 174.

Leadership Programme	Venue			Total
	Hong Kong	Jakarta	Singapore	
Coaching for Improved Performance		23		23
Communication Skills for Managers		27		27
Country Leadership Programme	1			1
Leadership Essentials	1		3	4
Leadership Foundation		2		2
Managing In Challenging Times		17		17
People Management Essentials Workshop	1	84		85
People Management Essentials: Pre-work 1 (Briefing)		14		14
Sustainability Leadership Programme	1			1

Banking Certification Programme

To ensure compliance with the provisions of the banking certification programme established by the Financial Services Authority (OJK), the Bank has held the following certification programmes:

- **Risk Management Certification**
The number of employees who have obtained risk management certification in accordance with their position level totals 1,459. Meanwhile, 257 employees completed the required refresher programme for risk management certification.
- **Treasury Certification**
Since 2017, OJK requires bank employees to obtain treasury certification in accordance with the provision of PBI 19/5/PBI 2017. During 2018, 23 Global Market employees obtained their treasury certification.

- **WAPERD Certification**
WAPERD certification is a mandatory requirement for RBWM sales employees who market mutual fund products. The number of new RBWM sales employees who obtained their WAPERD certification during 2018 totals 60.
- **AAJI Certification**
The AAJI certification is a requirement for RBWM sales employees who market bancassurance products. The number of new RBWM sales employees who obtained their WAPERD certification during 2018 totals 71.

Certification Programme	Business Functions					Total
	Commercial Banking	Global Banking & Markets	Retail Banking Wealth Management	HOST	Others LOB's	
Risk Management Certification (SMR)						
SMR Level 1	95	42	191	284	103	715
SMR Level 2	166	50	163	72	98	549
SMR Level 3	39	12	27	20	57	155
SMR Level 4	4	1	4	2	23	34
SMR Level 5	1	-	1	1	3	6
SMR Refresher Programme	75	32	50	41	59	257
Treasury Certification						
Treasury Level Basic	-	18	-	-	-	18
Treasury Level Intermediate	-	3	-	-	-	3
Treasury Level Advance	-	2	-	-	-	2
WAPERD Certification	-	-	60	-	-	60
AAJI Certification	-	-	71	-	-	71

Training and Development Expenses

The total employee training and development expenses in 2018 amounted to Rp76,596 billion, or 4.49% of the total labour cost in 2018.

Description	2018 (in Rp Million)
Realization of Training Cost	76,596
Realization of Staff Cost	1,706,112
Training Cost against Staff Cost Ratio	4.49%

TECHNOLOGY & OPERATIONS

Strategy & Implementation in 2018

The Bank continued developing its hardware, software, and operational processes in order to meet regulatory obligations, support business growth, improve our product and service offerings to our customers, and manage risks to the highest standards.

Last year, the Bank migrated its core banking system and other systems from offshore to onshore data centres in Indonesia. The Bank in 2018 continued to ensure that its data, systems, and processes align to the latest regulations.

For example, to comply with Bank Indonesia Regulation No 19/8/PBI/2017 on the National Payment Gateway (NPG), the Bank successfully implemented NPG Joint Debit in May 2018 and built the implementation of NPG Prima Debit in November 2018.

In April 2018, the Bank also implemented a Client Tax Reporting solution to support both Common Reporting Standards (CRS) and Local Tax Reporting.

The Bank in 2018 implemented a number of new systems and upgrades to existing systems in order to support business growth. These included:

- Implementing a technology contact centre (Next Generation Call Center – Genysis) as a replacement for the legacy system (Aspect), reducing call handling time and increasing system resilience.
- Launching a new SMS PIN capability, improving customer experience, and increasing processing efficiency.
- Implementing a new form of digital front-end form for capturing new Credit Card customer applications.
- Upgrading the Mobile Banking application to enable log-in with Touch ID or Face ID.
- Implementing MarketAcess to support the trading of Indonesian securities by overseas customers.
- Enhancing the core banking system to support CASA-2 products such as enabling limited-time bonus interest rates for customers who meet certain criteria and opening an account online.

The Bank undertook several projects to improve the efficiency and capacity of operational processes, through automation, digitisation, re-engineering process and paper reduction. These included:

- Automating the workflow for payment instructions received in branches, increasing the speed of execution and rate of straight-through-processing (STP) and reducing risk.
- Automating the transmission of customer instructions to buy and sell mutual funds from branches to the operational processing teams, increasing efficiency, and reducing risk of errors.
- Automating the transmission of bulk payment instructions from internal departments.
- Digitisation of expenses claims (“e-expenses”), reducing processing time and operational risk.

The Bank continued to invest in infrastructure and processes to reduce risk arising from exposure to Money Laundering and Sanctions, Fraud, Cybercrime, and physical disasters. These included:

- Ongoing enhancements to Customer Due Diligence and Anti-Money Laundering (AML) processes and systems support the Bank’s efforts as a whole to protect itself and its customers against exposure to Financial Crime Risk. For example, the Bank has enhanced data collection process to support Customer Due Diligence and Transaction Monitoring, reducing processing time and increasing consistency and quality of output.
- Upgrading the SAS-EFM system (Enterprise Fraud Management), optimizing the real-time monitoring of all global credit card transactions to reduce customer exposure to fraudulent activity.
- Recognizing the importance of resilience against cyber threats, the Bank collaborated with HSBC Group in conducting the Cyber Security Maturity Improvement Program (CSMIP). The Bank enhanced anti-malware protection by using new devices that provided protection against phishing and, most commonly, using the latest version of firewall to ensure external connection is well maintained and monitored 7x24. The programme also covered encryption of critical Bank data and the use of database protection tools.

- The Bank successfully carried out a regular Role-Swap at the Disaster Recovery Centre for the Core Banking system on the iSeries platform. Role-Swap activities were also implemented for payment systems such as SKNBI, RTGS, SSSS, and ETP. The success of these activities showed the Bank's ability to respond and serve business and customer activities in critical situations.

The Bank continually worked to improve the systems and infrastructure to support internal collaboration and flexible working for our staff. In 2018, the bank completed a major transformation programme, transferring 1,480 staff from Menara Mulia to new premises in World Trade Centre 3 and CIBIS. This involved the installation of advanced audio & video conferencing and collaboration devices, and 1,250 networked desks with brand new equipment. "Open Work" has increased employee mobility and internal collaboration by enabling staff to work at any desk in HSBC premises.

Another important aspect of Technology and Operational planning is the renewal ("evergreening") of software and hardware utilised by the Bank. This helps to ensure that internal and external services can work properly, minimizing the risk of service disruption to customers.

In 2018, the Bank undertook evergreening of ATMs, network devices, servers, storage devices, PCs and laptops. In addition, in November the Bank completed the upgrade of the SWIFT Alliance Access to support the SWIFT November Change 2018 and safeguard continuity of service.

The Bank also works continually to improve governance and internal control with regard to Technology and Operations. In 2018, the Bank published new Standard Operating Procedures within IT, and took steps to improve Data Governance.

Plan & Strategy in 2019

The Bank are constantly trying to implement the latest technology standards to ensure excellent service to our customers and meet the needs of all stakeholders.

The Bank will continue to take necessary actions (including updates and patches) to ensure that hardware, software, and operational processes are sufficient to support the Bank's business objectives, to deliver high quality services to customers, and to manage operational risk within appetite.

In accordance with the regulations, the Bank remains committed to maintaining a Data Centre in Indonesia (on-shoring). The Bank continuously reviews applications in deployment, including those using offshore data centres provided by the HSBC Group and third parties, and ensure compliance with the applicable provisions related to Technology Information Risk Management such as Government Regulation No. 82/2012. Accordingly, following the successful onshore migration of core banking systems and other applications, projects are now in progress for the onshoring of systems related to Credit Card and Treasury (Global Markets) products.

The Bank will also continue to enhance processes and systems to improve efficiency, customer service, and business growth. In 2019, this will include the implementation of new systems and the upgrade of existing systems:

- Developing an internal system to optimise the changes to regulatory governed processes such as BI SKN, RTGS, eTax (MPN).
- Developing an integrated regulatory reporting system (OJK, BI, LPS).
- Supporting the development of a 'Digital Identity' to support efficient customer on-boarding and due diligence, leveraging on the Dukcapil database. 'Digital signature' will also be developed to support digital on-boarding processes.
- Completing existing systems such as C-Best following KSEI requirements and supporting development/enhancement of straight-through processing for Global Market (GM) and Global Banking (GB) business.



The Bank will continue to improve customer experience and access to products and services by enhancing channels, including:

- Mobile Banking capabilities.
- The HSBC Internet Banking platform, for example by implementing soft tokens for authentication and adding new features to support the buying and selling of government bonds.
- Development of ATM Multi-Function Machines (MFM).

The Bank will continue to improve risk management capabilities and the sustainability of systems and processes by:

- Developing processes to support the embedding of the Operational Risk Management Framework, including key control management, proper data recording, provision, and reporting of Operational Risk.
- Continuing to develop resilience against cyber-threats. This includes collaboration with HSBC Group in implementing the Cyber Security Maturity Improvement Program (CSMIP).
- Implementing systems to automate suspicious network detection and fraud among customers, accounts, and transactions.
- Improving capabilities to minimise data/information security risk while supporting business growth.
- Renewing software and hardware as part of the periodic Evergreening process and providing communication devices (Cisco switches and routers) and customer devices (i.e. Desktop, Laptop and ATM) to meet user customer service requirements and business growth. The Bank will also update the operating system and evergreen customer software in line with any progress in technology.
- Monitoring the use of Cloud technology, Blockchain and APIs, for opportunities to further develop process efficiency and risk management capability.

The Bank will also leverage the current Open Work environment to drive collaboration, supported by upgrades in systems and technology to improve efficiency and interconnectivity locally and internationally.

The Bank performs periodic reviews of soft-skills and hard-skills capabilities (e.g. IT application and infrastructure knowledge) of staff resources, and takes advantage of opportunities to develop these skills via knowledge-sharing internally and internationally.

The Bank will perform further studies to adopt the latest methodology like Agile and DevOps, to support more efficient application development and deployment.

Operations will continue to embed a culture of operational excellence and process improvement, based on Lean and Agile principles, through formal training and on-the-job experience.

Risk Management

RISK MANAGEMENT

Business challenges for credit and operational risks were influenced by the continued slowing of Indonesia's economic growth during 2018, and this slowdown is expected to continue in 2019 amid uncertainty in the global economy. As such, credit risk is expected to remain one of the biggest threats in 2019. The Bank will continue to strengthen conservative risk appetite.

Eight Categories of Risk

1. Credit Risk is a risk arising from the failure of borrowers or counterparties in fulfilling their obligations to the Bank. In managing credit risk, the Bank implements policies and guidances for the respective business segment, both for retail and corporations.

Risks of credit concentration arise when a number of customers are involved in the same or similar business activity or conduct business in the same geographical area, or when customers have similar characteristics which impact on their collective ability to fulfill similar contractual obligations affected by changes in economic or other conditions.

2. Market Risk is a risk caused by the movement of variables in the market, namely interest rates and exchange rates which affect the Bank's portfolio.

The Bank measures the potential risk of loss resulting from the possibility of a less favorable movement of interest rate fluctuations and currency exchange rates using the Value at Risk (VaR) method. The Bank also conducts stress tests on market risk, controls and monitors daily market risk limit utilisation and net open position at the end of each day in accordance with Bank Indonesia regulations.

3. Operational Risk is an increasingly significant category of risk considering the Bank's business and product models and banking services are now growing more complex and varied. Risks from inadequate and/or ineffective internal processes, deliberate human error or negligence, failure of information technology systems and external factors such as fraud and other illegal acts must be minimised/mitigated to maintain the operational risk profile of the Bank within appetite. Therefore, the Bank uses a comprehensive system consisting of Risk Control Self-Assessment, Key Risk Indicator, Loss Event Database and Issue and Action Management in managing operational risks.

4. Liquidity Risk is a risk arising from the failure of the Bank to fulfil its liabilities to depositors, investors and creditors, due to limited funding or inability of the Bank to liquidate assets at fair value. To manage its liquidity, in addition to maintaining the primary Statutory Reserves (SR) and secondary reserves (PLM), the Bank also conducts daily monitoring of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) reports. In addition, the Bank also conducts periodic stress tests using the scenario assumption that are considered relevant to the condition of Indonesian banking.
5. Strategic Risk is the risk caused by dramatic changes in the external and internal environment which cannot be accommodated or anticipated by the Bank using existing strategies and policies. To address these risks, the Bank formulates short, medium, and long term business plans and budgets, taking into account the various financial models and scenarios that may occur in the future.
6. Reputational Risk is a risk associated with policies, procedures or issues related to the Bank and its customers that may damage the trust and confidence of the Bank's stakeholders. To address this risk, the Bank uses a comprehensive communication system to maintain a sound communication within both internal and external scope. Complaints are dealt with promptly and delivered to authorised departments to be addressed immediately and to provide appropriate solutions in improving service quality.
7. Legal Risk is the risk due to lawsuits and/or weakness of juridical aspect which can arise from, among others, the weakness of juridical aspect caused by the weakness of engagement done by the Bank, the absence and/or amendment of law and regulation causing a transaction which has been done by Bank become not in accordance with the provisions, and litigation process whether arising from a third party lawsuit against the Bank or the Bank against a third party. To handle this risk, the Bank Legal Division, among other things, continuously performs legal aspect analysis procedures for new products and/or activities, and also reviews the contracts and agreements between the Bank and other parties.



8. Compliance Risk is the risk caused by the Bank's failure to comply with applicable laws and regulations. To address this, the Bank ensures that all layers of the organisation have understood their responsibilities and comply with all applicable laws and regulations. With the assistance of the Compliance and Anti-Money Laundering and Counter-Terrorism Prevention Work Unit, the Compliance Director manages compliance risks and ensures their implementation, including the implementation of the Anti-Money Laundering and Counter-Terrorism Financing policy.

Risk Management

The Bank Indonesia Regulation regarding the implementation of Basel II, which will be followed by Basel III, requires improved risk management, causing risk principle to be a very important element in operations in the banking industry today. Therefore, the Bank established a Risk Management task force as a tool to control risks and to support the Bank's business activities.

The development of risk management to support business activities is conducted through the improvement of capability and competence of all Bank employees in understanding the aspects of risks which may arise.

Risk Management Framework

The implementation of effective risk management through an integrated Risk Management Framework ensures measurement of risk which is then reported, controlled and mitigated in accordance with the Bank's vision, mission and business strategy.

The risk management process is evaluated by the Risk Management Committee who is responsible for the implementation of overall risk management. This Committee consists of the Board of Directors, chaired by the President Director and reports to the Board of Commissioners through the Risk Oversight Committee. The Committee has full responsibility for the establishment and implementation of risk management framework and ensures that all risks of the Bank are properly managed.

The Bank's risk management framework is established to identify and analyse the risks that exist within the Bank's operations, to determine appropriate risk constraints and controls and to monitor risks and compliance with pre-defined limits.

Risk management policies and systems are regularly reviewed to adapt to changes in market conditions, products and services offered. Through various training and management standards and procedures, the Bank strives to develop a culture of risk control. The Bank also involves all employees so that they understand and participate in managing risks in accordance with their responsibilities.

Risk Oversight Committee

The Board of Commissioners establishes the Risk Oversight Committee to ensure that the risk management framework has provided an adequate protection against all risks faced by the Bank in conducting its business. The Risk Oversight Committee also plays a role in overseeing the development, implementation of risk management policies, and providing input on risk management strategies that the Bank should implement. The Risk Oversight Committee is chaired by an Independent Commissioner appointed by the Board of Commissioners and can only act as Chairman of another committee under the Board of Commissioners..

The Authority and Responsibility of Risk Oversight Committee

1. To supervise and advise the Board of Commissioners on high risk matters, including current and future exposure to risks; corporate risk tolerance limits and upcoming risk strategies including capital and liquidity management strategies; as well as risk management within the Bank.
2. To supervise and advise the Board of Commissioners in terms of risk tolerance limits in setting strategy and to provide input to the Board of Commissioners and/or Risk Management Committee regarding the alignment of remuneration within risk tolerance limits.
3. To provide input to the Board of Commissioners on risks related to the strategy of loan extension approval by the Director after consultation with the Chairman of the Risk Oversight Committee.

4. To request periodic risk management reports from management that enable the Risk Oversight Committee to assess the risks involved in the Bank's business, as well as to apply a clear, explicit and targeted focus on aspects of current or potential exposure to risks.
5. To assess the effectiveness of the Bank's risk management framework and internal control system.
6. To instill and maintain a Bank culture that supports the implementation of internal risk control management in line with the outlined provisions and procedures.
7. To review internal audit reports, audited annual reports of external auditors on the stage of external audit progress, management letters prepared by external auditors, external auditor's proposed questions to management or, in any case, responses from management, relating to risk management or internal control and has been submitted to the Risk Oversight Committee by the Company's Audit Committee or as reasonably deemed by the Audit Committee.
8. If possible, to review and consent to the content of the Risk Committee Report in the annual report to be submitted to the Board of Commissioners.
9. To review and approve the content of the statement made in connection with internal control (other than internal financial control) in the annual report to be submitted to the Board of Commissioners.
10. If possible, to annually submit terms of reference to the executive risk management meeting; as well as reviewing the minutes of the meeting and further information on the executive risk management meeting; as requested from time to time by risk executive management.
11. To re-ensure the Board of Commissioners as requested in terms of reliability of risk information to be submitted to the Board of Commissioners.
12. The Risk Oversight Committee holds a special meeting with the Head of Internal Audit at least once a year to ensure that there are no unresolved issues or problems.
13. To carry out other relevant tasks or to consider other relevant topics on behalf of the President Commissioner or the Board of Commissioners as authorised from time to time by the President Commissioner or the Board of Commissioners.
14. The Committee may designate, or employ professional advisors as deemed appropriate by the Risk Oversight Committee.

The Risk Oversight Committee conducts an annual review of the Committee's terms of reference effectiveness and recommends necessary changes to the Board of Commissioners.

Risk Management Committee

The Risk Management Committee is responsible for monitoring risk management and implementation of the Bank's risk management framework. The Risk Management Committee is chaired by Risk Management Director and the Board of Directors as a member.

The Authority and Responsibility of Risk Management Committee

1. To review enterprise-wide key risk management policies and framework addendums, including but not limited to Risk Appetite Framework, Annual Risk Appetite Statements and Stress Testing Framework prior to onward submission for Board approval where appropriate.
2. To perform assessment and provide recommendation to the BOD with respect to risk management covering the followings:
 - To review risk management policy and any amendment, including risk management strategy, risk level and tolerance, risk management framework and contingency plan to anticipate any abnormal conditions.
 - To improve risk management process continuously and incidentally, as a consequence to changes in internal and external conditions of the Bank that have potential impact to capital adequacy, the Bank's risk profile, and assessment on ineffective risk mitigation.
 - To establish guidelines and/or deviation tolerance in business process, e.g. material business expansion against the Bank's business plan or risk exposure/position exceeding the limit.
3. To develop Risk Appetite framework and Enterprise Risk Reports.
4. To review all management reports on risk and internal control to be presented to the Risk Oversight Committee, including quarterly Risk Profile Report.
5. To understand credit risk, balance sheet dynamics, interaction between portfolios and approval of policies in respect of such issues.



6. Requirements delegated by the Risk Oversight Committee and Board of Directors to the Risk Management Committee
7. To review all risks (existing and potential) on a systematic basis, ensuring that: (i) mechanism exists for early identification of risk; (ii) adequate controls exist to mitigate it and (iii) returns reflect the risks and the capital allocated to support these. The risks to be reviewed include:
 - Enterprise Risk Reports (Risk Appetite, Top & Emerging Risks, Risk Map)
 - Risk Ownership – First Line of Defence
 - Risk Stewardship – Second Line of Defence,
 - Financial Management, Asset, Liability & Capital Management, Accounting & tax, Legal, Regulatory Compliance, Financial Crime Compliance, System, Projects and Operations, Strategic Risk, People Risk, Reputational Risk – external, Wholesale Credit Risk, Market Risk, Operational Risk, Political Risk, Physical Risk, Internal Fraud, External Fraud, Contingency Risk, Information Risk, Conduct Risk
 - Internal Audit – Third Line of Defence
 - Risk Monitoring (Asset, Liability and Capital Management, Wholesale Credit Risk, Market Risk, Reputational Risk, Operational Risk, System, Projects and Operations).
8. To review potential regulatory developments and ensure appropriate action is taken on a timely basis to manage them to protect the Bank.
9. To review results of the stress test and the Risk Appetite Statement quarterly, in accordance with direction from the Board of Commissioners

Matters considered at the RMC may be recommended or escalated to the ROC and to the BOD meetings for further review, consideration and/or discussion as necessary.

Integrated Risk Management Committee

In the implementation of a comprehensive Integrated Risk Management in accordance with the regulations of POJK No. 17 / POJK. 03/2014, the Main Entity which in this case is PT HSBC Indonesia Bank is required to establish an Integrated Risk Management Committee.

The Integrated Risk Management Committee is responsible for the monitoring of risk management and implementation of the risk management framework in the entities included in the Financial Conglomerate. The Risk Management Committee is chaired by Risk Management Director and Board of Directors who is appointed as a member of the Main Entity as well as the Board of Directors or the designated representative of the entity included in the Financial Conglomerate.

The Integrated Risk Management Committee has the authority and responsibility to provide recommendations to the Board of Directors of the Main Entity, in order to:

- a. Prepare for Integrated Risk Management policy; and
- b. Improve or perfect Integrated Risk Management policy based on the results of implementation evaluation.

Main Task of Integrated Risk Management Committee Members:

- a. Providing inputs to the Integrated Risk Management Committee in the form of topics and meeting materials to be discussed in the meeting of the Integrated Risk Management Committee.
- b. Providing inputs in the form of information and analysis related to the topics discussed in the Integrated Risk Management Committee meeting.

Risk Management Working Unit

Risk Management Working Unit is an independent unit established to support good corporate governance for the Bank by taking a role in risk assessment and analysis to support the bank's business strategies. The main function of this unit is to provide risk monitoring as presented to the Risk Management Committee and to prepare the Bank's risk profile and its recommendations to OJK. Risk Management Working Unit is directly responsible to the Risk Management Director.

The Authority and Responsibility of the Risk Management Working Unit

1. To provide input for the Board of Directors in formulating Risk Management policy, strategy and framework.
2. To develop procedures and tools for identification, measurement, monitoring, and risk control.
3. To design and implement the tools required in the application of risk management.
4. To review new proposal of activities and/or products developed by the business units. The assessment focuses primarily on aspects of the bank's ability to manage new activities and/or products including the completeness of the systems and procedures used, and their impact on the Bank's overall risk exposure.
5. To provide recommendations for the business units and/or to the Risk Management Committee regarding the implementation of risk management including the maximum risk exposure acceptable to the Bank.
6. To monitor the implementation of the risk management policies, strategies and framework as recommended and approved by the Risk Management Committee or the Board of Directors.
7. To monitor overall risk position/exposures, including monitoring of compliance against the approved risk tolerance and limits.
8. To conduct stress testing in supporting the implementation of risk management policies and strategies on the portfolio or the performance of the Bank as a whole.
9. To evaluate the accuracy and validity of data used in measuring risk for a particular model and purposes.
10. To prepare and submit risk profile reports to the President Director, Risk Management Director, Compliance Director, and Risk Management Committee on a regular basis, or at the minimum quarterly. Report frequency must be increased in sudden movement of market conditions.
11. To conduct periodic reviews with frequencies in line with the Bank's requirement, to ensure appropriateness of the risk management framework, the accuracy of the risk assessment methodology and the adequacy of the risk management information system.

Active Supervision of Board of Commissioners and Board of Directors

Oversight of all loan portfolios is carried out on a regular basis, including monthly meetings of the Risk Management committee led by the President Director, as well as other board committees as part of the Bank's risk management process.

At a higher level, the Risk Oversight Committee comprising Independent Commissioners and Commissioners conduct supervision and meet once every three months. And the Board of Directors and senior management involved in risk control and supervision are invited to respond to queries from the commissioners.

The involvement of senior management in the credit process is accommodated in the composition of the Credit Committee consisting of President Director, Finance Director, Business Director, Strategy and Business Implementation Director and Credit Approvers for each business. With the composition of committee members involving business units and risk units, it is expected that the process of credit decisions is conducted in an objective and impartial process for the Bank's interests.

Integrated Risk Management Working Unit

For comprehensive and effective implementation of Integrated Risk Management, the Main Entity shall integrate the implementation of risk management for the Financial Conglomeration in line with article 16 of POJK No. 17/POJK.03/2014. It includes the establishment of Integrated Risk Management Working Unit whose function is attached to the Risk Management Working Unit of the Bank.

HSBC's Financial Conglomeration includes PT Bank HSBC Indonesia acting as the main entity, KCBA HSBC and PT HSBC Sekuritas Indonesia.

Operational Risk Unit

The Operational Risk Unit is responsible for implementing risk management which includes:

- Active supervision and proactive management of the Board of Commissioners and/or Board of Directors on the Bank's operational risk profile and exposure through regular committee meetings.



- Establishment of policies, procedures and operational risk limits including periodic review with the objective of compliance with the latest regulations and/or current best practices.
- Implementation of an operational risk management framework that includes the process of identifying, assessing, monitoring and controlling operational risks to maintain operational risk loss levels in accordance with predetermined tolerance limits. Development of a culture of risk awareness and control at all levels of the organisation through adequate communication to achieve effective internal control.
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Three Lines of Defence

The Bank adopts a three lines of defence strategy that includes Business and Functional units as the First Line of Defence, Risk Stewards Function (unit that establishes risk management policy and performs certain risk control functions) and Operational Risk Function as the Second Line of Defence, and Internal Audit Function as the Third Line of Defence.

All units in each line are synergised in effort of implementing risk management, including ensuring fulfilling existing compliance aspects of the working unit against applicable regulations and policies.

Review of New Products and Activities

The Bank reviews new products and activities comprehensively in accordance with prudential principles by considering the risk and yield aspects, especially related to the integration process that will be carried out. The identification process includes analysis of eight types of risks that are likely to affect both the Bank and its customers. Risk analysis for new products and activities is undertaken by the Risk Management Unit (RMU) together with other relevant working units.

Credit Approval

Credit Approval acts the first filter is independent of Business before a specific proposal is approved by a credit approver or Credit Committee. This unit reviews the credit proposal independently from the business unit. Credit Approval is a separate part of the Risk Management Directorate and is directly responsible to President Director.

In addition to providing review and approval of credit proposals submitted by the business unit, credit officers under the Credit Approval organisation receive an individual credit authority limit based on quality of counterparty and size of exposure, which is delegated by the management depending on the experience, capability and seniority.

Approvals raised to the Credit Committee must be assessed by the Risk Management Director prior to tabling for an independent view.

Socialisation of Risk Management

The Bank is continuously socialising risk management to create risk awareness to all working units and branch offices. Socialisation activities have been conducted to all employees in form of e-learning training and classroom training.

In order to improve the competence of risk management, the following trainings have been conducted throughout 2018:

1. Risk Management Certification Program as required.
2. Risk Management Certification Maintenance/Refreshment Program for employees who have received Risk Management Certification in previous years.
3. Mandatory e-learning which must be participated by all employees related to risk awareness such as Information Security Risk, Operational Risk, Anti Money Laundering & Sanction, Bribery & Corruption, Compliance & Reputational Risk.
4. Other trainings to improve competence in risk management.

Credit Risk

Socialisation of Risk Management

Credit risk is one of the main risks in the implementation of risk management. Credit risk management is to be performed by all units involved in the credit process, starting from Business, Operation, up to the Senior Management levels through the Credit Committee and Risk Management Committee forums.

The structure of the applied risk management is as follows:

Operational Level

Apart from overseeing the 8 risk categories, Risk Management Director also supported by the several functions that provide further assistance and assurance in the implementation on good risk management.

Wholesale Credit Review Unit

The Wholesale Credit Review Unit division specifically examines the credit process. This division carries out the supervisory role in the process of credit application to disbursement of approved facilities. This division submits the findings along with the recommendations required to improve existing credit process.

Through sampling assessment, WCRU reviews the overall quality of loan portfolio. WCRU thoroughly assesses the credit processes undertaken by the business unit to the Credit Service, and ensures that all relevant units and parties in the credit process perform their duties and responsibilities in accordance with applicable terms and procedures.

The WCRU function performs the second line of defence role, so that the control over the procedures in the credit process is continuously carried out independently. With such special teams, it is possible to establish credit specialisation skills to create an effective control over the years.

Retail Risk Quality Assurance

The second line of defence function for Retail Credit Services is performed by Retail Risk Quality Assurance team which assesses the credit underwriting process, identifies potential breach from the guidelines and procedures, and provides improvement recommendation, including monitoring action plan completion.

Independent case-sampling assessment is carried out for both new acquired accounts and also portfolio maintainance. The methodology of sampling is risk based and random, performed on monthly basis, and the assessment review report is discussed and issued up the Head of Department.

Risk Identification (RID)

RID plays a role in monitoring the risk profile of loan portfolio as a whole. RID is also responsible to ensure that the business has taken proper follow-up against potential problem accounts. RID proactively coordinates with Business and Approvers for managing and monitoring accounts included in the watchlist, as well as monitoring the high risk sector which may cause larger losses if there are no precautionary measures. In 2018, the role of RID is strengthened in respect of early risk identification and account strategy formulation for watchlist accounts.

As part of portfolio monitoring, RID conducted several sectoral reviews in 2018 including Steel, Voucher & Handset, and US – China Trade Tariff Impact. RID also works together with Business unit to conduct Portfolio Stress Test taking into account key credit risks such as USD volatility and interest rate hike.

Retail Risk Portfolio Management

Retail Risk Portfolio Management team plays the role in optimizing risk infrastructure for managing RBWM portfolio to support a sustainable growth. It balances variables of revenue, portfolio growth, and loss management through the monitoring of portfolio health, delinquency, and loss rates.



Retail Risk Portfolio Management also works actively with business counterparts to develop portfolio programs and initiatives towards achieving aligned objectives. As a risk supervisor, the role entails a proactive risk management by conducting regular reviews and actions towards maintaining a healthy RBWM portfolio quality.

Loan Management Unit (LMU)

LMU division is responsible for managing troubled debtors. To avoid any conflict of interest, LMU division stands separated from the business division and is under Risk Management Director. This is to keep the handling of non-performing loans professionally and separated from the division that distributes credit, so avoiding potential conflict of interest.

In the midst of global uncertainty and increasing trend of NPL in Indonesian banking in general, the level of non-performing loan settlement during 2018 was quite good with a recovery rate of 91%. Gross NPL level decreased to 2.52% in 2018 compared to December 2017 position of 4.27%. Several steps to accelerate the settlement of non-performing loans, especially on accounts with large value, have been completed and are expected to obtain significant results in 2019.

Retail Banking Collection

Retail collection functions to settle problems and arrears of retail customers in effective and efficient manner, to control the total credit loss thoroughly for all retail products portfolio, and to give positive contribution to portfolio profit in general. In 2018, retail collection performed well. The Loan Impairment Charges (LIC) of retail products were better by 38.5% compared to the target set in 2018. The level of delinquency of each retail product has also been managed better than the initial plan.

Credit Policy

In supporting lending disbursement based on prudential principles, the credit policy unit is set up independently.

The Credit Policy Division has the primary responsibility in supporting business unit by developing comprehensive credit policies that can be used to facilitate credit process effectively and efficiently, while maintaining prudential principles, risk mitigation, and in line with Bank Indonesia policies.

Various policy changes have been issued to support a more professional working system in supporting credit growth, in line with local regulations and the HSBC Group adopted policies.

Adequacy of Policies, Procedures, and Boundary Determination

The credit policy is prepared by an independent unit to ensure that existing policies are supportive of the ongoing credit process at the Bank. In particular, each working unit also has a role to ensure the availability of procedures to confirm credit process standardisation and the availability of technical procedures to facilitate the working process of each working unit involved in the credit process.

The credit policy serves as the guideline used in the credit process prepared by the credit policy unit, and the policy is constantly reviewed and updated on a regular basis.

One of the credit policies applied and required by business units is related to the annual review process. Business units are required to undertake annual review of debtors in a disciplined manner at least once a year. With the annual review, business units are able to monitor and ensure that the borrowers' business operates as normal. In addition, any change in business conditions can be anticipated to mitigate the deterioration of credit quality.

In addition to the establishment of policies and procedures, the Bank also sets limits in credit process in accordance with the Bank's risk appetite. The limits set are, among others, related to the credit approval limit authority, single group lending limit (in accordance with the regulatory LLL), and industry sectors and so on.

The credit approval authority for customers is determined based on the amount of exposure per business group. Thus, the likelihood of credit concentrations exceeding the limits of one group of borrowers can be avoided. The Bank also adheres to meet the Legal Lending Limit (LLL) in accordance with the OJK regulatory policy, which limits the maximum amount of exposures to individual or group counterparties.

Adequacy of Credit Risk Identification Process

The Bank can identify potential problem accounts with early warning signs on the deterioration in the financial health of the debtors. Early warning signs may be detected through Bank systems; customer behavior, business activities, and interaction with the Bank, and external information (such as rating agencies, press and media).

Business side has the primary responsibility to accurately identify high risk debtors and place their names on watch list in accordance with the Bank's credit policies. Credit Approval and RID have a crucial 'review and challenge' role to play in the watchlist process and may suggest debtors to be added (or removed) from the watchlist list or may reassess the watchlist status to align with changes in risk profile. It is to ensure the watchlist accounts which require remedial actions, adjustment of credit rating, and/or put under Special Mention are dealt with promptly, properly assigned in the watchlist status, and where appropriate, those accounts are timely transferred to Loan Management Unit for recovery actions.

Watchlist is a risk management tool that needs to be notified for management attention, debtors' relationships with various levels of difficulty, where this process is outside the normal process of credit approval.

Adequacy of Process Measurement, Monitoring, and Risk Control

Risk measurement is conducted periodically through the preparation of the Bank's annual plan commencing with the establishment of the "Risk Appetite Statement" as a risk appetite and risk tolerance corridors acceptable to the Bank for the current year. Risk Appetite Statement proposal is submitted for recommendation to the Risk Management Committee annually prior to Board of Commissioner approval. Key indicators such as the ratios related to revenue, profitability, capital, portfolio quality, liquidity, NPLs, and other Bank categories are monitored monthly in the Risk Management Committee meeting.

Risk performance is measured and evaluated each month by comparing the actual risk conditions with the Risk Appetite Statement, allowing for earlier detection and for determining necessary mitigation steps. The Bank also proactively classifies

the risk level into the Risk Map, which is reviewed monthly in the Risk Management Committee forum. Preventive and corrective measures are discussed in the committee including progress that has been achieved.

The Bank already has monitoring systems and procedures that include monitoring of the extent of risk exposure, risk tolerance, internal limit compliance, and stress testing results as well as consistency of implementation with established appetite, policies, and procedures.

One aspect that is reviewed periodically and approved by the Board of Directors is the determination of sector/industry appetite which provides guideline for credit portfolio development.

Periodic portfolio stress test is conducted to respond to the impact of direct and indirect ongoing external factors that could have negative impact to credit portfolio. The result of this exercise is presented to business units to take anticipatory measures.

The Bank has conducted stress testing to measure financial condition and management ability of the Bank to continue operating effectively in extreme economic conditions.

Market Risk

Market risk is a risk that the price of the Bank's portfolio will experience movement due to price movements in the market, such as interest rates and exchange rates. Market risk management is performed by the Treasury division as a competent party in managing market risk, while market risk monitoring is performed by Traded Credit & Market Risk that is independent from Treasury.

In managing market risk, the Bank divides it into interest rate risk and currency exchange rate risk. Interest rate valuation is done by calculating the difference between the interest generated from asset and the interest generated by third party, while the valuation of currency exchange rate is done by calculating the foreign currency exchange difference in foreign exchange sales transactions.



The Bank separates market risk exposures between the trading portfolio (trading) and non-tradable (accrual). The traded portfolio includes positions arising from market formation, position-taking, and others set at market value. Non-tradable portfolios include positions arising mainly from interest rate management of interest and interest-bearing assets, and assets classified as available for sale.

The Bank shall exercise maximum market risk monitoring in accordance with the approved limit on a daily basis, including net position at the end of the day in accordance with BI regulations. The Bank also conducts management by looking at the net risks of assets and liabilities as remaining interest rate risk. The Bank approves the maximum limit for interest risk in form of PVBP (Present Value Basis Point) for each book: trading, banking, and total position of the bank.

The Bank measures potential losses using portfolio sensitivity to exchange rate and interest rate changes, Value at risk ('VaR') and stress testing, giving a detailed picture of potential gains and losses as well as risks on abnormal market conditions in specified time period.

Market Risk Limit is managed and controlled through market risk limits approved by the Risk Management Committee.

Liquidity Risk

Liquidity Risk is a risk that may be faced by the Bank because it can not fulfill its obligations to depositors, investors, and creditors, due to limited funding or inability of the Bank to liquidate assets at fair value.

In managing its liquidity, in addition to maintaining primary Minimum Reserve Requirement (GWM) and Macroprudential Liquidity Buffer (PLM), the Bank also conducts daily monitoring on the Liquidity Coverage Ratio (LCR) report and Net Stable Funding Ratio (NSFR). The Bank also periodically conducts stress testing on liquidity conditions using the assumption of scenarios that may occur in the Indonesian banking system.

Liquidity Risk Management

The main objective of the implementation of Liquidity Risk Management is to ensure adequate daily funding, both during normal conditions and for the purpose of anticipating crisis conditions, in timely fulfillment of liabilities from various sources of funds available, including ensuring the availability of high quality liquid assets.

The implementation of Liquidity Risk Management at the Bank includes:

- Active supervision of the Board of Commissioners and Board of Directors.
- Adequacy of Risk Management policies, procedures, and limit stipulations.
- Adequacy of risk identification, measurement, monitoring, and control processes as well as Risk Management Information System.
- Comprehensive internal control system.

Risk management applied by the Bank is as follows:

1. Daily monitoring of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), which includes daily monitoring of the Bank's liquid assets and daily cash out-and-in-flows.
2. The Bank establishing the Macroprudential Liquidity Buffer (PLM) to maintain liquidity position of the Bank, including by placing excess funds into more liquid financial instruments.
3. Establishing a Cash Holding limit policy on Bank branch offices.
4. Implementing the ALCO function to regulate interest rate in increasing/reducing certain sources of funds related to maturity mismatch.
5. Implementing liquidity contingency plans and mechanisms, including by establishing crisis response teams to anticipate liquidity crises.

In the liquidity risk management process, the Bank has used measurement parameter in accordance with Basel III standards, with signs that have been implemented so far made the Bank's liquidity position always maintained in a safe position.

Operational Risk

Operational Risk Management

The OpR Unit (Operational Risk) is a division under the Risk Management Director and in charge of overseeing operational risk management at the Bank. This monitoring process is conducted by establishing an operational risk management framework, which will be implemented by business units and functional units, where the framework continues to be developed from time to time so that operational risks in the Bank can be well managed, at the level of risk acceptable to the Bank.

In the day-to-day process, operational risk monitoring process is conducted by the OpR unit through involvement in risk assessment and control risk processes conducted by risk and control owners together with risk stewards, supervising the management of operational risk incidents, becoming part of the Risk Management Working Unit unit in charge of carrying out responsibilities related to the management of operational risks, providing input on the process or problem related to operational risks experienced by management, and performing operational risk analysis of new activities and products, as well as performing various other operational risk management activities.

1. The application of the Three Lines of Defence concept that the Bank has introduced since 2013 has reached the expected level with continuous development to be continued to ensure adequate risk management in all Bank units.
2. The First Line of Defence is a business and function unit that has the responsibility to be the owner of risk and control and, applies risk management in implementing daily activities. This concept was introduced to further raise the awareness of the First Line of Defence about their critical role in managing operational risks while carrying out the Bank's day-to-day activities.
3. The Second Line of Defence is all the functional units that make risk management-related policies as well as conducting comprehensive oversight on certain risks, for example the Opr (Operational Risk), CMP (Compliance), LGA (Legal), Risk Policy, and other units. The Second Line of Defence may also consist of units that perform daily functions but have certain risk management coverage,

for example the Finance Unit (for financial risks such as liquidation risk and strategic risk), and Human Resources (for human resource risk). The Second Line of Defence serves to provide input to the First Line of Defence units in their risk management, and to monitor to ensure that risk management is in accordance with their respective controls.

4. The Third Line of Defence is the Internal Audit Unit (SKAI), which provides independent assurance to management that the First and Second Line of Defence are compliant in performing risk management as a whole and in accordance with the Bank's policy.

Implementation of risk management in the First Line of Defence will be assisted by additional functionality developed by management, namely the function of BRCM (Business Risk and Control Manager), which as part of the unit, is expected to do inherent monitoring on risk management in each unit, bridging between a business unit or a function unit with the Second Line of Defence. Management is expected to be more aware of its responsibility in managing risk with this concept.

Several methods or tools were introduced to the First Line of Defence to manage risk in their respective areas. The method introduced includes its own assessment of risk and control, implementation of risk-based assessment conducted by BRCM, identification of existing risk or problems followed by monitoring on the agreed corrective action, and management of operational risk incidents that occurred. It is expected that the Bank can continue developing the concept in order to improve risk management sustainably.

Along with the implementation of the concept of Three Lines of Defence, operational risk management framework has also been adapted to ensure more effective and efficient risk management with clarity of the duties and responsibilities of each role of operational risk management. This framework will also continue to be adjusted to the level of progress and implementation that has been done by the First and Second Line of Defence.



The Operational Risk Unit will provide input to the First Line of Defence, and work with other Second Line of Defence units, to ensure that the quality of the risk management implemented will be in accordance with the operational risk management framework within the Bank.

Various efforts have been made so far to create a good culture in operational risk and have helped to reduce operational losses in accordance with the risk appetite set by the Bank for the period of 2018.

The measurement of Risk Weighted Assets (RWA) for operational risk can be seen in the table below:

The approach used	31 December 2018		
	Average gross income in the last three years	Capital Expense	ATMR OPR Risk
The indicator approach	2,789	418	5,230

RWA operational risk is measured based on the Basic Indicator approach in accordance with directives from Bank Indonesia as regulator, and in accordance with the conditions of the Bank. The RWA for operational risk is 12.5 times of Capital Expense. Capital Expense is calculated at 15% of the average gross income over the last three years. Changes in the capital expense are affected by the increase of average gross income used as basis for capital expense calculation.

Anti Fraud Function

Anti Fraud Function is established to prevent cases such as fraud/deception in the operational activities of the Bank that causes losses to the customers and/or Bank, and to improve the effectiveness of internal control as an effort to minimize the 'fraud' risk.

The function of Anti Fraud strategy is embedded within Risk Management Director who reports directly to President Director.

Furthermore, the program encompasses reporting process and protection program for the 'whistleblower'. It is designed to provide facilities for all employees to report cases of violation of rules or fraud when the regular line to report the complaints or cases is unavailable.

Legal Risk

Legal Risk is the risk due to lawsuits and/or weaknesses of juridical aspect which can come, among others, from the weaknesses of juridical aspect caused by the weaknesses of engagement done by the Bank, the absence and/or amendment of laws and regulations causing a transaction which has been done by Bank becomes not in accordance with the provisions, and litigation process whether arising from a third party lawsuit against the Bank or the Bank against a third party.

The legal risk management organisation undertaken by the Bank is by having a work unit, the Legal division, which functions as a legal watch. Broadly speaking, the Bank's Legal division has the following responsibilities:

- Providing advice and legal opinions to the Board of Directors and/or other Bank units on matters pertaining to business, operating strategies, initiatives and legal issues.
- Providing advice and legal opinion to senior management members in establishing systems and procedures for controlling legal risks.

The Legal Division has several mechanisms in legal risk control, including but not limited to:

1. Have a written legal policy.
2. Carry out legal aspects analysis of new or ongoing business activities or products, if necessary.
3. Assess the impact of changes in terms and regulations on legal risks.
4. Review of standard documents of contracts, contracts and other legal documents of the Bank with other parties in respect of the effectiveness of legal risk mitigation that may be incurred by such documents.

5. Monitor ongoing court cases.
6. Have an external legal counsel panel for corporate law and litigation that assists the Bank for legal risk control. There are currently 15 external legal counsel in the Bank's panel.

Strategic Risk

Strategic risk is the risk of loss resulting from the Bank's inadequate strategy and policies in anticipating and accommodating dramatic changes in the external and internal environment. Implementation of such improper and inadequate strategies may result in non-achievement of the Bank's business targets.

The strategic risk management that has been implemented by the Bank includes:

1. Formulating the Bank's business plan.
2. Establishing policies to implement the strategy that has been set.
3. Implementing supervision on the achievement of work plan on a regular basis.
4. Evaluating interim results achieved, along with factors preventing the Bank to meet targets and risk mitigation.
5. Revising initial work plan, if required, to achieve targets.

In the last quarter of each year, the Bank formulates business plan, involving heads of businesses, support functions, and Board of Directors. Afterward, the business plan is submitted to the Board of Commissioners for approval. The approved business plan will subsequently be communicated to the Bank's senior management for implementation.

In the implementation, on a regular basis, the Board of Directors and heads of businesses and support functions of the Bank evaluate the progress of the business plan and take necessary corrective actions. In the event of significant internal or external changes, the business plan will be revised during the mid-year business plan review.

Every month, the Board of Directors and heads of businesses and support functions review the results of Bank operations and the challenges faced and take necessary remedial actions to ensure targets will be achieved. In the event of any changes

of external or internal circumstances could result in missing targets of original business plan, corrective actions will be planned, implemented and their progress monitored. The Board of Commissioners periodically monitors the Bank's business results and strategic risks faced by the Bank.

The Bank has committees that meet regularly to monitor risks faced by the Bank. These committees contribute to direct and indirect strategic risk supervision. The Risk Management Committee each month will discuss risks associated with the achievement of the Bank's business plan including the identification of related strategic risks.

In performing its duties, the Risk Management Committee is assisted by the Risk Management Working Unit. Risk Management Working Unit coordinates all units related to risk supervision in preparing an analysis of each risk, including strategic risk, on a monthly basis. In addition, the Asset and Liability Committee also provides information on the current state of the banking industry, comparison against peer banks, and recent macro conditions that may impact the Bank's strategic risk.

The Bank's strategic risk level as per 31 December 2018 was Low to Moderate, with the inherent strategic risk assessment being Low to Moderate and the level of Strategic Risk Management Implementation Quality (KPMR) being Satisfactory.

One of key considerations during the assessment was increasing loan growth in the second half of 2018. As of December 2018, loans grew 13.5% than the previous year, contributed by strong business momentum:

1. Loans in Global Banking business increased from USD800 million to USD1.3 billion.
2. Facility utilisation rate (FUR) of customers of Commercial Banking with CRR 5.3 or better improved from 20% to 39% the in last 6 months.

This is over and above the repositioning of USD320 million which was conducted in 2018.



Reputational Risk

Reputational Risk Management handles matters relating to the maintenance of customer and the public confidence to the Bank. Reputational risk may result from negative publicity related to the Bank's business activities, public perceptions of the Bank or indirectly through the behaviour of its customers. This risk can also arise due to various causes including the way the bank conducts its business and provides financial services to its customers.

One of the perception-makers is the customer's complaints about the services the Bank provides. These complaints can lead to a negative perception of the products and services as a whole. The Bank always manages these complaints as best as possible through a good system tool. This device is a Complaint Management System integrated with business units and has a fast and precise settlement time. The utilisation of this device can minimise the likelihood of reporting that potentially causes negative impact to the reputation of the Bank.

In general, the number of customer complaints received during the year of 2018 is lower than 2017 with the materiality index kept to a very minor, at below 3% of the number of transactions.

In the second quarter there had been a slight increase although still within a very minor materiality. This increase was mainly due to delivery problems which had been resolved among others by strengthening partnership with third parties and educating the customers on the use of digital channel.

In the mass media throughout 2018 there were only 6 complaints and no negative publicity.

Internally, a series of risk-related campaigns was also carried out, particularly in the context of financial crime prevention into the banking system. The campaign sought to ensure that all employees of Bank understand and can detect the risk of financial crime, which ultimately poses an adverse reputational risk.

Externally, the Bank built good relationship with mass media and also helped the community to better understand banking products and services through various activities. Press conferences, media teach-ins, press briefings, press releases,

and interviews were organised throughout the year for our capabilities, solutions and outlook on Retail Banking and Wealth Management, Commercial Banking, Global Banking and Global Markets.

As part of the measurement and monitoring of reputational risk, the Communications division monitors the Bank's news coverage in mass media every day.

Compliance Risk

Compliance Risk is the risk arising from the Bank's failure to comply with and/or not enforce the prevailing laws and regulations.

The Bank is always strongly committed to comply with existing regulations by growing a compliance culture at all levels of the organisation and its business activities. The active supervision of the Board of Commissioners and Board of Directors of the Bank plays an important role in ensuring that compliance functions work. The Bank has also appointed one of the Directors as the Compliance Director who oversees the Compliance Function. In order to assist the Compliance Director's duties, a comprehensive Compliance Working Unit is established which generally oversees two functions: compliance management and anti-money laundering implementation functions.

Taking into account the complexity of the Bank's business activities continues to change and improve in line with the development of information technology, globalisation and the integration of financial markets, it would require a wide variety of ex-ante and ex-post efforts to mitigate those risks. A good and timely Compliance Risk Management is expected to minimise the impact of risk as early as possible. Therefore the Bank's Compliance Risk Management strategy is based on the three lines of defence as follows:

- The First Line of Defence is all employees of the Bank, by ensuring fulfillment of the compliance aspects that exist in their respective work units. Compliance procedures together with compliance training are held to support all employees to ensure compliance risks can be mitigated. Overview and direct supervision by management are also part of the main control, and internal control is responsible for ensuring that the Bank's activities are in compliance with applicable regulations.

- The Second Line of Defence is a compliance unit, which complements direct management control over business processes, compliance monitoring procedures and analysis of key risk indicators conducted by the compliance unit, which periodically assesses compliance risk on business lines.
- The Third Line of Defence is conducted by Internal Audit, which assesses whether the key control of compliance risk is adequate to address the relevant risks, and verifies that the secondary controls operate effectively so that risks are identified and mitigated appropriately.

Compliance Risk Monitoring and Control Mechanism

The compliance risk control and monitoring mechanisms in the First Line of Defence are performed by each business unit.

In the Second Line of Defence, the Compliance Unit takes a proactive approach to identify risks and their potential impact on the business, one of which is the result of regulatory changes. On any regulatory changes, the compliance work unit will inform, distribute and disseminate the OJK Regulations, Bank Indonesia and other applicable laws and regulations to other work units. The Compliance Unit also updates the compliance handbook and the compliance chart.

Identification carried out related to compliance fulfillment, among others includes:

- Capital Adequacy Ratio
- Quality of Earning Assets and Impairment Reserves
- Net Open Position
- Legal Lending Limit
- Number of Non Performing Loans (NPL)
- Prohibition of credit for certain business activities
- Prohibition of granting of commercial securities
- Minimum Reserve Requirement
- Short Term Foreign Loans

Certain events that meet criteria as significant events should be reported. Such incidents include violations of rules or procedures of internal control, fraud or monetary losses, or

situations that reflect the weakness of the control system. To encourage the creation of a compliance culture, management provides the HSBC Confidential and/or Compliance Disclosure Line as an employee tool to report any issues or compliance violations, or attempt to hide problems or compliance violations, if escalation to line managers is not possible or there is a conflict of interest. This reporting system includes several sections, namely the reporting process, the investigation process and its corrective actions, the communication process and the identity protection program of the reporting party.

The Bank has implemented various risk measurement parameters both in measuring the Bank's risk level as well as other mechanisms accommodated in Risk Appetite Statement Monitoring. Thus, control and mitigation efforts have become part of the Bank's internal process to keep risk profile in a safe position. To strengthen Risk Culture, the Bank introduced the concept of operational risk management with the concept of 'Three Lines of Defence', focusing primarily on first-line retrofitting (business and function) with an awareness of their responsibility to conduct adequate risk management.

With this application, it is expected that the Bank can increase the risk management implementation within compliance risk due to well-implemented risk management in all lines and functions. A consistent application of the concept of Three Lines of Defence has helped the Bank to increase 'risk awareness' and control in every workplace, so that mitigation and correction can be performed as early as possible.



QUANTITATIVE INFORMATION DISCLOSURES OF RISK EXPOSURES

Expressed in billion Rupiah, unless otherwise specified

Loans based on Remaining Contract Period

No.	Portfolio Category	31 December 2018 Net Claims Based on Contract Time Period						
		< 1 year	>1 year to 3 year	>3 year to. 5 year	> 5 year	Non- Contractual	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(7)	
A	Balance Sheet Exposure							
1	Receivables on Government	18,287	3,885	1,021	636	-	23,829	
2	Receivables on Public Sector Entities	6,705	-	-	-	-	6,705	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	
4	Receivables on Banks	10,348	-	-	-	-	10,348	
5	Loans Secured by Residential Property	1	12	35	187	-	235	
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-	
7	Loans for Retired	-	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	2,584	1,055	719	574	-	4,932	
9	Receivables on Corporate	54,740	1,240	816	211	-	57,007	
10	Past Due Receivables	539	74	113	4	-	730	
11	Other Assets	-	-	-	-	4,072	4,072	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	-	
	Total Balance Sheet Exposure	93,204	6,266	2,704	1,612	4,072	107,858	
B	Administrative Account Exposure							
1	Receivables on Government	15	-	-	-	-	15	
2	Receivables on Public Sector Entities	126	91	-	-	-	217	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	
4	Receivables on Banks	12	-	-	-	-	12	
5	Loans Secured by Residential Property	-	-	-	-	-	-	
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-	
7	Loans for Retired	-	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	9	-	-	-	-	9	
9	Receivables on Corporate	4,397	896	554	6	-	5,853	
10	Past Due Receivables	1	-	1	-	-	2	
11	Other Assets	-	-	-	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	-	
	Total Administrative Account Exposure	4,560	987	555	6	-	6,108	

31 December 2017 Net Claims Based on Contract Time Period						
< 1 year	>1 year to 3 year	>3 year to. 5 year	> 5 year	Non- Contractual	Total	
(3)	(4)	(5)	(6)	(7)	(7)	
20,295	4,643	1,149	795	-	26,882	
64	-	-	-	-	64	
-	-	-	-	-	-	
8,898	-	-	-	-	8,898	
2	7	28	146	-	183	
-	-	-	-	-	-	
-	-	-	-	-	-	
9,769	1,670	1,524	828	-	13,791	
43,766	906	954	369	-	45,995	
862	3	-	2	-	867	
-	-	-	-	4,337	4,337	
-	-	-	-	-	-	
83,656	7,229	3,655	2,140	4,337	101,017	
14	-	-	-	-	14	
60	183	-	-	-	243	
-	-	-	-	-	-	
15	-	-	-	-	15	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
72	1	-	-	-	73	
4,421	1,329	24	13	-	5,787	
1	-	-	-	-	1	
-	-	-	-	-	-	
-	-	-	-	-	-	
4,583	1,513	24	13	-	6,133	



No.	Portfolio Category	31 December 2018 Net Claims Based on Contract Time Period						
		< 1 year	>1 year to 3 year	>3 year to 5 year	> 5 year	Non-Contractual	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(7)	
C	Counter Party Credit Risk Exposure							
1	Receivables on Government	1,145	-	-	-	-	1,145	
2	Receivables on Public Sector Entities	-	-	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	
4	Receivables on Banks	699	483	18	-	-	1,200	
5	Loans Secured by Residential Property	-	-	-	-	-	-	
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-	
7	Loans for Retired	-	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-	
9	Receivables on Corporate	385	106	39	3	-	533	
10	Past Due Receivables	-	-	-	-	-	-	
11	Other Assets	-	-	-	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	-	
Total Counter Party Credit Risk Exposure		2,229	589	57	3	-	2,878	
TOTAL		99,993	7,842	3,316	1,621	4,072	116,844	

Loans based on the remaining terms of the contract are dominated by a period of less than 1 year amounting to 85.58% of the total portfolio. Whereas, contribution from lending with the period between more than 1-3 years and more than 3-5 years are 6.71% and 2.84%, respectively. Contracts with the period of more than 5 years only contributed 1.39% of total loans.

Loans by Economic Sector

The portfolio is spread across various sectors of the economy with the largest contribution from the manufacturing sector 25.47% and financial intermediaries 25.55%.

31 December 2017 Net Claims Based on Contract Time Period						
< 1 year	>1 year to 3 year	>3 year to. 5 year	> 5 year	Non- Contractual	Total	
(3)	(4)	(5)	(6)	(7)	(7)	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
113	619	24	-	-	756	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
24	479	-	-	-	503	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
137	1,098	24	-	-	1,260	
88,376	9,840	3,703	2,153	4,337	108,410	



No.	Economic Sector	Receivables on Government	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks	Loans Secured by Residential Property	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
	31 December 2018						
A	Balance Sheet Exposure						
1	Agriculture, Hunting and Forestry	-	-	-	-	-	
2	Fishery	-	-	-	-	-	
3	Mining and Quarrying	-	971	-	-	-	
4	Manufacturing	4	1,586	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	-	
6	Construction	-	3,477	-	-	-	
7	Wholesale and Retail Trading	-	67	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	-	
9	Transport, Warehousing and Communications	-	-	-	-	-	
10	Financial Intermediary	12,480	604		10,348		
11	Real Estate, Rentals and Business Services	-	-	-	-	-	
12	Public Administration, Defence and Compulsory Social Security	11,345	-	-	-	-	
13	Education Services	-	-	-	-	-	
14	Human Health and Social Work Activities	-	-	-	-	-	
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-	-	
16	Activities of Households as Employers	-	-	-	-	-	
17	International Institution and Other Extra International Agencies	-	-	-	-	-	
18	Undefined Activities	-	-	-	-	-	
19	Non Business Field	-	-	-	-	-	
20	Others	-	-	-	-	235	
Total Balance Sheet Exposure		23,829	6,705	-	10,348	235	

	Loans Secured by Commercial Real Estate	Loans for Retired	Receivables on Micro, Small Business & Retail Portfolio	Receivables on Corporate	Receivables on Corporate	Other Assets	Exposures at Sharia Based Business Activity Unit (if any)
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	-	-	-	1,067	6	-	-
	-	-	-	3	-	-	-
	-	-	-	2,251	1	-	-
	-	-	4	27,815	241	-	-
	-	-	-	3	-	-	-
	-	-	277	358	34	-	-
	-	-	42	12,932	296	-	-
	-	-	-	209	47	-	-
	-	-	2	4,706	28	-	-
	-	-	-	5,054	-	-	-
	-	-	3	2,033	66	-	-
	-	-	-	-	-	-	-
	-	-	-	21	-	-	-
	-	-	-	28	-	-	-
	-	-	-	519	5	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	1	-	1	4,072	-
	-	-	4,603	8	5	-	-
	-	-	4,932	57,007	730	4,072	-



No.	Economic Sector	Receivables on Government	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks	Loans Secured by Residential Property	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
B	Administrative Account Exposure						
1	Agriculture, Hunting and Forestry	-	-	-	-	-	
2	Fishery	-	-	-	-	-	
3	Mining and Quarrying	-	-	-	-	-	
4	Manufacturing	-	-	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	-	
6	Construction	-	-	-	-	-	
7	Wholesale and Retail Trading	-	217	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	-	
9	Transport, Warehousing and Communications	-	-	-	-	-	
10	Financial Intermediary	15	-	-	12	-	
11	Real Estate, Rentals and Business Services	-	-	-	-	-	
12	Public Administration, Defence and Compulsory Social Security	-	-	-	-	-	
13	Education Services	-	-	-	-	-	
14	Human Health and Social Work Activities	-	-	-	-	-	
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-	-	
16	Activities of Households as Employers	-	-	-	-	-	
17	International Institution and Other Extra International Agencies	-	-	-	-	-	
18	Undefined Activities	-	-	-	-	-	
19	Non Business Field	-	-	-	-	-	
20	Others	-	-	-	-	-	
Total Administrative Account Exposure		15	217	-	12	-	

	Loans Secured by Commercial Real Estate	Loans for Retired	Receivables on Micro, Small Business & Retail Portfolio	Receivables on Corporate	Receivables on Corporate	Other Assets	Exposures at Sharia Based Business Activity Unit (if any)
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	39	-	-	-
	-	-	-	108	1	-	-
	-	-	-	1	-	-	-
	-	-	-	-	-	-	-
	-	-	-	5,656	-	-	-
	-	-	-	34	-	-	-
	-	-	-	8	-	-	-
	-	-	-	-	-	-	-
	-	-	-	7	1	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	9	-	-	-	-
	-	-	-	-	-	-	-
	-	-	9	5,853	2	-	-



No.	Economic Sector	Receivables on Government	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks	Loans Secured by Residential Property	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
C	Exposure Counter Party Credit Risk						
1	Agriculture, Hunting and Forestry	-	-	-	-	-	
2	Fishery	-	-	-	-	-	
3	Mining and Quarrying	-	-	-	-	-	
4	Manufacturing	-	-	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	-	
6	Construction	-	-	-	-	-	
7	Wholesale and Retail Trading	-	-	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	-	
9	Transport, Warehousing and Communications	-	-	-	-	-	
10	Financial Intermediary	-	-	-	1,200	-	
11	Real Estate, Rentals and Business Services	-	-	-	-	-	
12	Public Administration, Defence and Compulsory Social Security	1,145	-	-	-	-	
13	Education Services	-	-	-	-	-	
14	Human Health and Social Work Activities	-	-	-	-	-	
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-	-	
16	Activities of Households as Employers	-	-	-	-	-	
17	International Institution and Other Extra International Agencies	-	-	-	-	-	
18	Undefined Activities	-	-	-	-	-	
19	Non Business Field	-	-	-	-	-	
20	Others	-	-	-	-	-	
Total Exposure Counter Party Credit Risk		1,145	-	-	1,200	-	
TOTAL		24,989	6,922	-	11,560	235	

	Loans Secured by Commercial Real Estate	Loans for Retired	Receivables on Micro, Small Business & Retail Portfolio	Receivables on Corporate	Receivables on Corporate	Other Assets	Exposures at Sharia Based Business Activity Unit (if any)
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	395	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	138	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	533	-	-	-
	-	-	4,941	63,393	732	4,072	-



No.	Economic Sector	Receivables on Government	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks	Loans Secured by Residential Property	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
	31 December 2017						
A	Balance Sheet Exposure						
1	Agriculture, Hunting and Forestry	-	-	-	-	-	
2	Fishery	-	-	-	-	-	
3	Mining and Quarrying	-	-	-	-	-	
4	Manufacturing	-	-	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	-	
6	Construction	-	-	-	-	-	
7	Wholesale and Retail Trading	-	-	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	-	
9	Transport, Warehousing and Communications	-	-	-	-	-	
10	Financial Intermediary	7,955	64		8,898	-	
11	Real Estate, Rentals and Business Services	-	-	-	-	-	
12	Public Administration, Defence and Compulsory Social Security	18,927	-	-	-	-	
13	Education Services	-	-	-	-	-	
14	Human Health and Social Work Activities	-	-	-	-	-	
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-	-	
16	Activities of Households as Employers	-	-	-	-	-	
17	International Institution and Other Extra International Agencies	-	-	-	-	-	
18	Undefined Activities	-	-	-	-	-	
19	Non Business Field	-	-	-	-	-	
20	Others	-	-	-	-	183	
Total Balance Sheet Exposure		26,882	64	-	8,898	183	

	Loans Secured by Commercial Real Estate	Loans for Retired	Receivables on Micro, Small Business & Retail Portfolio	Receivables on Corporate	Receivables on Corporate	Other Assets	Exposures at Sharia Based Business Activity Unit (if any)
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	-	-	-	677	-	-	-
	-	-	53	76	14	-	-
	-	-	52	2,421	-	-	-
	-	-	2,720	17,497	568	-	-
	-	-	7	6	-	-	-
	-	-	636	3,915	-	-	-
	-	-	8,143	10,915	266	-	-
	-	-	20	177	-	-	-
	-	-	988	3,105	1	-	-
	-	-	-	1,193	-	-	-
	-	-	893	1,544	5	-	-
	-	-	-	-	-	-	-
	-	-	2	24	-	-	-
	-	-	147	52	-	-	-
	-	-	132	411	12	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	139	-	4,337	-
	-	-	-	3,843	1	-	-
	-	-	13,791	45,995	868	4,337	-



No.	Economic Sector	Receivables on Government	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks	Loans Secured by Residential Property	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
B	Administrative Account Exposure						
1	Agriculture, Hunting and Forestry	-	-	-	-	-	
2	Fishery	-	-	-	-	-	
3	Mining and Quarrying	-	-	-	-	-	
4	Manufacturing	-	-	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	-	
6	Construction	-	-	-	-	-	
7	Wholesale and Retail Trading	-	-	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	-	
9	Transport, Warehousing and Communications	-	-	-	-	-	
10	Financial Intermediary	-	-	-	15	-	
11	Real Estate, Rentals and Business Services	-	-	-	-	-	
12	Public Administration, Defence and Compulsory Social Security	14	-	-	-	-	
13	Education Services	-	-	-	-	-	
14	Human Health and Social Work Activities	-	-	-	-	-	
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-	-	
16	Activities of Households as Employers	-	-	-	-	-	
17	International Institution and Other Extra International Agencies	-	-	-	-	-	
18	Undefined Activities	-	-	-	-	-	
19	Non Business Field	-	-	-	-	-	
20	Others	-	243	-	-	-	
Total Administrative Account Exposure		14	243	-	15	-	

	Loans Secured by Commercial Real Estate	Loans for Retired	Receivables on Micro, Small Business & Retail Portfolio	Receivables on Corporate	Receivables on Corporate	Other Assets	Exposures at Sharia Based Business Activity Unit (if any)
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	73	5,787	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	1	-	-
	-	-	73	5,787	1	-	-



No.	Economic Sector	Receivables on Government	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks	Loans Secured by Residential Property	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
C	Exposure Counter Party Credit Risk						
1	Agriculture, Hunting and Forestry	-	-	-	-	-	
2	Fishery	-	-	-	-	-	
3	Mining and Quarrying	-	-	-	-	-	
4	Manufacturing	-	-	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	-	
6	Construction	-	-	-	-	-	
7	Wholesale and Retail Trading	-	-	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	-	
9	Transport, Warehousing and Communications	-	-	-	-	-	
10	Financial Intermediary	-	-	-	756	-	
11	Real Estate, Rentals and Business Services	-	-	-	-	-	
12	Public Administration, Defence and Compulsory Social Security	-	-	-	-	-	
13	Education Services	-	-	-	-	-	
14	Human Health and Social Work Activities	-	-	-	-	-	
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-	-	
16	Activities of Households as Employers	-	-	-	-	-	
17	International Institution and Other Extra International Agencies	-	-	-	-	-	
18	Undefined Activities	-	-	-	-	-	
19	Non Business Field	-	-	-	-	-	
20	Others	-	-	-	-	-	
Total Exposure Counter Party Credit Risk		-	-	-	756	-	
TOTAL		26,896	307	-	9,669	183	

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Disclosure of Receivables Based on Area

No.	Portfolio Category	31 December 2018					
		Receivables Based on Area Disclosure					
		Region 1	Region 2	Region 3	Region 4	Total	
		Jakarta	Medan	Surabaya	Other		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
A	Balance Sheet Exposure						
1	Receivables on Government	23,829	-	-	-	23,829	
2	Receivables on Public Sector Entities	6,705	-	-	-	6,705	
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-	
4	Receivables on Banks	10,235	19	25	69	10,348	
5	Loans Secured by Residential Property	209	-	14	12	235	
6	Loans Secured by Commercial Real Estate		-	-	-	-	
7	Loans for Retired		-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	4,816	25	35	56	4,932	
9	Receivables on Corporate	44,485	4,088	4,131	4,303	57,007	
10	Past Due Receivables	186	30	104	410	730	
11	Other Assets	3,916	35	49	72	4,072	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	
Total Balance Sheet Exposure		94,381	4,197	4,358	4,922	107,858	
B	Administrative Account Exposure						
1	Receivables on Government	15	-	-	-	15	
2	Receivables on Public Sector Entities	217	-	-	-	217	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	12	-	-	-	12	
5	Loans Secured by Residential Property	-	-	-	-	-	
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	
7	Loans for Retired	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	9	9	
9	Receivables on Corporate	5,191	107	83	472	5,853	
10	Past Due Receivables	1	-	-	1	2	
11	Other Assets	-	-	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	
Total Administrative Account Exposure		5,436	107	83	482	6,108	

31 December 2017					
Receivables Based on Area Disclosure					
Region 1	Region 2	Region 3	Region 4	Total	
Jakarta	Medan	Surabaya	Other		
(3)	(4)	(5)	(6)	(7)	
26,882	-	-	-	26,882	
64	-	-	-	64	
-	-	-	-	-	
8,763	22	81	32	8,898	
149	-	16	18	183	
-	-	-	-	-	
-	-	-	-	-	
7,480	777	2,283	3,251	13,791	
37,369	3,131	4,584	911	45,995	
249	135	132	351	867	
3,771	155	221	190	4,337	
-	-	-	-	-	
84,727	4,220	7,317	4,753	101,017	
14	-	-	-	14	
243	-	-	-	243	
-	-	-	-	-	
15	-	-	-	15	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
14	5	2	52	73	
5,419	145	103	120	5,787	
1	-	-	-	1	
-	-	-	-	-	
-	-	-	-	-	
5,706	150	105	172	6,133	



No.	Portfolio Category	31 December 2018				
		Receivables Based on Area Disclosure				
		Region 1	Region 2	Region 3	Region 4	Total
		Jakarta	Medan	Surabaya	Other	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
C	Counter Party Credit Risk Exposure					
1	Receivables on Government	1,145	-	-	-	1,145
2	Receivables on Public Sector Entities	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-
4	Receivables on Banks	1,200	-	-	-	1,200
5	Loans Secured by Residential Property	-	-	-	-	-
6	Loans Secured by Commercial Real Estate	-	-	-	-	-
7	Loans for Retired	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-
9	Receivables on Corporate	533	-	-	-	533
10	Past Due Receivables	-	-	-	-	-
11	Other Assets	-	-	-	-	-
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-
Total Counter Party Credit Risk Exposure		2,878	-	-	-	2,878
TOTAL		102,695	4,304	4,441	5,404	116,844

The composition of spread of charges based on territory is dominated by Jakarta, which reached 87.89% of the total portfolio with portfolio composition relatively stable compared to the prior year.

Disclosures of Credit Risks Due to Counterparty Default: Derivative Transactions

Other than credit risks due to debtors' default, the Bank has credit risks due to counterparty credit risk that could derive from derivative transactions Over the Counter (OTC) and repo or reverse repo transactions, both on Trading Book and Banking Book that are conducted by the Bank.

No	Underlying Variable	31 December 2018							
		Notional Amount			Derivative Receivables	Derivative Payables	Net Receivables before MRK	MRK	Net Receivables after MRK
		≤ 1 Year	> 1 Year - ≤ 5 Years	> 5 Years					
BANK ONLY									
1	Interest Rates	2,209	9,675	-	62	-	62	-	62
2	Foreign Exchange	24,913	5,510	-	480	-	480	-	480
3	Other	-	-	-	-	-	-	-	-
	TOTAL	27,122	15,185	-	542	-	542	-	542

	31 December 2017				
	Receivables Based on Area Disclosure				
	Region 1	Region 2	Region 3	Region 4	Total
	Jakarta	Medan	Surabaya	Other	
	(3)	(4)	(5)	(6)	
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	756	-	-	-	756
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	504	-	-	-	504
	-	-	-	-	-
	-	-	-	-	-
	1,260	-	-	-	1,260
	91,693	4,370	7,422	4,925	108,410

	31 December 2017							
	Notional Amount			Derivative Receivables	Derivative Payables	Net Receivables before MRK	MRK	Net Receivables after MRK
	≤ 1 Year	> 1 Year - ≤ 5 Years	> 5 Years					
	90	6,356	2,607	21	-	21	-	21
	23,640	12,332	1,217	168	-	168	-	168
	-	-	-	-	-	-	-	-
	23,730	18,688	3,824	189	-	189	-	189

Disclosure of Counterparty Credit Risk: Repo Transaction

No.	Portfolio Category	31 December 2018			
		Fair Value SSB Repo	Repo Liabilities	Net Receivable	RWA
(1)	(2)	(3)	(4)	(5)	(6)
1	Receivables on Government	1,505	1,454	51	-
2	Receivables on Public Sector Entities	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-
4	Receivables on Banks	-	-	-	-
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-
6	Receivables on Corporate	-	-	-	-
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-
Total		1,505	1,454	51	-

Disclosure of Counterparty Credit Risk: Reverse Repo Transaction

No.	Portfolio Category	31 December 2018			
		Net Receivables	Value MRK	Net Receivables After MRK	RWA after MRK
(1)	(2)	(3)	(4)	(5)	(6)
1	Receivables on Government	1,094	-	1,094	219
2	Receivables on Public Sector Entities	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-
4	Receivables on Banks	-	-	-	-
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-
6	Receivables on Corporate	-	-	-	-
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-
Total		1,094	-	1,094	219

Disclosures of Net Charges by Risk Weight After Considering the Mitigating Impact of Credit Risks

Through standard approach, the Bank could use credit risks mitigation technique (MRK) in order to calculate Risk-Weighted Asset (RWA). MRK technique refers to a methodology that take collaterals, guarantees, or credit insurance into account when calculating RWA.

	31 December 2017			
	Fair Value SSB Repo	Repo Liabilities	Net Receivable	RWA
	(3)	(4)	(5)	(6)
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-

	31 December 2017			
	Net Receivables	Value MRK	Net Receivables After MRK	RWA after MRK
	(3)	(4)	(5)	(6)
	500	-	500	100
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	500	-	500	100



No.	Portfolio Category	Disclosures of				
		0%	20%	25%	35%	
(1)	(2)	(3)	(4)	(5)	(6)	
A	Balance Sheet Exposure					
1	Receivables on Government	23,829	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	9,830	-	-	
5	Loans Secured by Residential Property	-	130	67	38	
6	Loans Secured by Commercial Real Estate	-	-	-	-	
7	Loans for Retired	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
9	Receivables on Corporate	-	2,559	-	-	
10	Past Due Receivables	-	-	-	-	
11	Other Assets	654	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Balance Sheet Exposure	24,483	12,519	67	38	
B	Administrative Account Exposure					
1	Receivables on Government	15	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	12	-	-	
5	Loans Secured by Residential Property	-	-	-	-	
6	Loans Secured by Commercial Real Estate	-	-	-	-	
7	Loans for Retired	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
9	Receivables on Corporate	-	-	-	-	
10	Past Due Receivables	-	-	-	-	
11	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Exposure TRA	15	12	-	-	
C	Counter Party Credit Risk Exposure					
1	Receivables on Government	1,145	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	904	-	-	
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
6	Receivables on Corporate	-	47	-	-	
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Counterparty Credit Risk Exposure	1,145	951	-	-	

31 December 2018								RWA	Capital Charge
Net Charges by Risks Weight After Considering Credit Risks Mitigating									
	40%	45%	50%	75%	100%	150%	Other		
	(7)	(8)	(9)	(10)	(11)	(12)	(13)		
	-	-	-	-	-	-		-	-
	-	-	5,734	-	971	-		3,838	-
	-	-	-	-	-	-		-	-
	-	-	515	-	-	3		2,228	-
	-	-	-	-	-	-		56	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	4,927	-	-		3,695	-
	-	-	2,348	-	49,994	671		52,686	-
	-	-	-	-	2	726		1,091	-
	-	-	-	-	3,263	155		3,496	-
	-	-	-	-	-	-	-	-	-
	-	-	8,597	4,927	54,230	1,555	-	67,090	-
	-	-	-	-	-	-		-	-
	-	-	217	-	-	-		109	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		2	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	9	-	-		7	-
	-	-	-	-	5,853	-		5,853	-
	-	-	-	-	-	2		3	-
	-	-	-	-	-	-		-	-
	-	-	217	9	5,853	2	-	5,974	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	278	-	18	-		338	-
	-	-	-	-	-	-		-	-
	-	-	1	-	485	-		495	-
	-	-	-	-	-	-	-	-	-
	-	-	279	-	503	-	-	833	-

No.	Portfolio Category	Disclosures of				
		0%	20%	25%	35%	
(1)	(2)	(3)	(4)	(5)	(6)	
A	Balance Sheet Exposure					
1	Receivables on Government	26,882	-	-	-	
2	Receivables on Public Sector Entities	-	64	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	8,292	-	-	
5	Loans Secured by Residential Property	-	-	-	183	
6	Loans Secured by Commercial Real Estate	-	-	-	-	
7	Loans for Retired	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
9	Receivables on Corporate	-	1,350	-	-	
10	Past Due Receivables	-	-	-	-	
11	Other Assets	582	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Balance Sheet Exposure	27,464	9,706	-	183	
B	Administrative Account Exposure					
1	Receivables on Government	-	69	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	15	-	-	
5	Loans Secured by Residential Property	-	-	-	-	
6	Loans Secured by Commercial Real Estate	-	-	-	-	
7	Loans for Retired	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
9	Receivables on Corporate	62,778	4,186	-	-	
10	Past Due Receivables	140	-	-	-	
11	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Exposure TRA	62,918	4,270	-	-	
C	Counter Party Credit Risk Exposure					
1	Receivables on Government	-	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	696	-	-	
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
6	Receivables on Corporate	-	102	-	-	
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Counterparty Credit Risk Exposure	-	798	-	-	

31 December 2017								RWA	Capital Charge
Net Charges by Risks Weight After Considering Credit Risks Mitigating									
	40%	45%	50%	75%	100%	150%	Other		
	(7)	(8)	(9)	(10)	(11)	(12)	(13)		
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		13	-
	-	-	-	-	-	-		-	-
	-	-	451	-	-	2		1,887	-
	-	-	-	-	-	-		64	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	13,497	-	-		10,123	-
	-	-	2,444	-	40,692	393		42,774	-
	-	-	-	-	-	859		1,289	-
	-	-	-	-	3,600	111		3,767	-
	-	-	-	-	-	-	-	-	-
	-	-	2,895	13,497	44,292	1,366	-	59,917	-
	-	-	-	-	-	-		13	-
	-	-	243	-	-	-		122	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		3	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	73	-	-		55	-
	-	-	9,899	-	-	-		5,787	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	10,142	73	-	-	-	5,980	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	41	-	19	-		179	-
	-	-	-	-	-	-		-	-
	-	-	-	-	402	-		422	-
	-	-	-	-	-	-	-	-	-
	-	-	41	-	421	-	-	601	-

Disclosures of Total Credit Risks Measurements

Bank's credit risk RWA represents the addition of credit risk RWA derived from debtors' default (both from assets in balance sheet and commitments and contingencies liabilities over administrative transactions account) and counterparty default risk.

	in billion rupiah	
	2018	2017
RWA-CREDIT RISK FOR FAILURE OF DEBTOR	73,024	65,883
RWA-CREDIT RISK FOR FAILURE OF COUNTERPARTY	833	601
TOTAL RWA-CREDIT RISK	73,857	66,484

Disclosures of Market Risks Using Standard Method

No.	Type of Risk	31 December 2018		31 December 2017	
		Bank		Bank	
		Capital Charge	RWA	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)	(6)
1	Interest Rate Risk				
	a. Specific Risk	-	-	-	-
	b. General Risk	121	1,509	55	684
2	Foreign Exchange Risk	88	1,100	158	1,977
3	Equity Risk ^{*)}				
4	Commodity Risk ^{*)}				
5	Option Risk	-	-	-	-
Total		209	2,609	213	2,661

In 2018, the calculation of market risk was dominated by exchange rate risk. This was in line with the fluctuation of Rupiah over USD throughout the year. The calculation of market risk using internal method can be seen in Note 4c on the financial statements.

Quantitative Disclosures of Operational Risk using Basic Indicator Approach

Operational risk RWA is calculated using standard approach where it is 12.5 times of capital charges. Capital charges amounted to 15% of average gross income over the last three years. The increase in ATMR for operational risk is caused by the increase of Bank's average gross income for the last three years.

No.	Indicator Approach	31 December 2018			31 December 2017		
		Average Gross Income For The Last Three Years	Capital Charge	RWA	Average Gross Income For The Last Three Years	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Basic Indicator Approach	2,789	418	5,230	1,379	207	2,585
Total		2,789	418	5,230	1,379	207	2,585

Quantitative Disclosures of Receivables and Allowance by Region

No.	Description	31 December 2018				
		Region				Total
		Region 1	Region 2	Region 3	Region 4	
		Jakarta	Medan	Surabaya	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivables	92,963	4,422	4,434	5,202	107,021
2	Impaired Recievables					
	a. Not Past Due	597	55	149	339	1,140
	b. Past Due	191	91	20	283	585
3	Miscellaneous Assets	3,916	35	49	72	4,072
4	Specific Allowance for Impairment Losses	739	220	88	273	1,320
5	Collective Allowance for Impairment Losses	657	39	37	79	812
6	Written-Off Receivables	875	45	-	301	1,221

No.	Description	31 December 2017				
		Region				Total
		Region 1	Region 2	Region 3	Region 4	
		Jakarta	Medan	Surabaya	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivables	82,458	4,334	7,400	5,073	99,265
2	Impaired Recievables					
	a. Not Past Due	-	-	-	-	-
	b. Past Due	1,140	245	341	860	2,586
3	Miscellaneous Assets	3,771	155	221	188	4,335
4	Specific Allowance for Impairment Losses	993	215	161	356	1,725
5	Collective Allowance for Impairment Losses	510	54	143	151	858
6	Written-Off Receivables	-	-	-	-	-

More than 80.00% of the receivables are on the island of Java, especially around Jakarta. This is consistent with the concentration of economic activities in Indonesia that are concentrated on the trade and manufacturing sectors, which are also the Bank's main portfolio. are also the Bank's main portfolio.

Impaired receivables is lower than 2017 receivables is lower than 2017 with the composition of not overdue : overdue is 66% : 34%.

Quantitative Disclosures of Receivables and Allowance by Economic Sector

No.	ECONOMIC SECTOR	RECEIVABLES	Impaired Loans		Allowances for Impairment Losses -Individual	Allowances for Impairment Losses -Collective	Written-Off Receivables
			Non Past Due	Past Due			
(1)	(2)	(5)	(6)	(7)	(8)	(9)	(10)
	Position of the report date				31 December 2018		
1	Agriculture, Hunting and Forestry	1,081	4	12	10	10	-
2	Fishery	3	-	-	-	-	-
3	Mining and Quarrying	3,204	3	-	2	30	-
4	Manufacturing	28,557	446	340	533	260	420
5	Electricity, Gas and Water	3	-	-	-	-	-
6	Construction	3,887	50	35	51	36	382
7	Wholesale and Retail Trading	13,424	415	159	545	137	419
8	Hotel and Food & Beverage	258	47	2	2	7	-
9	Transport, Warehousing and Communications	4,876	39	1	162	45	-
10	Financial Intermediary	5,754	-	-	-	53	-
11	Real Estate, Rentals and Business Services	2,095	61	9	4	23	-
12	Public Administration, Defence and Compulsory Social Security	-	-	-	-	-	-
13	Education Services	21	-	-	-	-	-
14	Human Health and Social Work Activities	28	-	-	-	-	-
15	Public, Socio-Culture, Entertainment and Other Personal Services	466		14	10	5	-
16	Activities of Households as Employers	-	-	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-	-	-
18	Undefined Activities	-	-	-	-	-	-
19	Non Business Field	14	75	13	-	-	-
20	Others	4,804	-	-	1	206	-
	TOTAL	68,475	1,140	585	1,320	812	1,221

No.	ECONOMIC SECTOR	RECEIVABLES	Impaired Loans		Allowances for Impairment Losses -Individual	Allowances for Impairment Losses -Collective	Written-Off Receivables
			Non Past Due	Past Due			
(1)	(2)	(5)	(6)	(7)	(8)	(9)	(10)
	Position of the report date				31 December 2017		
1	Agriculture, Hunting and Forestry	875	-	-	-	9	-
2	Fishery	104	-	-	-	1	-
3	Mining and Quarrying	3,130	10	-	445	27	-
4	Manufacturing	22,842	567	34	520	272	-
5	Electricity, Gas and Water	8	-	-	-	-	-
6	Construction	5,113	181	-	199	53	-
7	Wholesale and Retail Trading	14,848	313	-	465	223	-
8	Hotel and Food & Beverage	231	26	-	-	17	-
9	Transport, Warehousing and Communications	4,100	45	-	10	64	-
10	Financial Intermediary	1,541	-	-	-	16	-
11	Real Estate, Rentals and Business Services	2,077	84	-	20	62	-
12	Public Administration, Defence and Compulsory Social Security	-	-	-	-	-	-
13	Education Services	31	-	-	-	-	-
14	Human Health and Social Work Activities	81	-	-	-	-	-
15	Public, Socio-Culture, Entertainment and Other Personal Services	542	-	-	19	5	-
16	Activities of Households as Employers	-	-	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-	-	-
18	Undefined Activities	-	-	-	-	-	-
19	Non Business Field	179	-	-	-	2	-
20	Others	4,960	62	-	1	86	-
	TOTAL	60,662	1,288	34	1,679	837	-

The largest sectors are manufacturing and trading industries, each contributing 41.70% and 19.60% of total bills per position in December 2018. For industries that are considered to have a higher level of risk, restrictions are used to maintain the quality of the loan portfolio. With a manageable level of concentration in each of the sectors, the resilience to external shocks will be more manageable and will support a more sustainable loan growth.

Non Performing Loan

The ratio of non-performing loans of the Bank in 2018 is 2.52%, lower compared to the previous period of 4.27% in 2017.

In 2018, total non-performing loans mainly came from manufacturing and large and retail trade industries amounted to 45.52% and 33.25%, respectively.



Movements of Allowance for Impairment Losses (CKPN)

There was a significant increase in Allowance for Impairment Losses (CKPN) at the end of 2018. Nevertheless, the 2018 CKPN balance is lower than the previous period.

No.	Description	31 December 2018		31 December 2017	
		Allowances for Impairment Losses - Individual	Allowances for Impairment Losses - Collective	Allowances for Impairment Losses - Individual	Allowances for Impairment Losses - Collective
(1)	(2)	(3)	(4)	(5)	(6)
1	Beginning Balance	1,725	858	434	128
2	Recovery CKPN in the current period (Net)	1,220	144	718	75
	2.a CKPN used in the current year	1,573	378	1,038	507
	2.b CKPN recovered in the current period	(353)	(234)	(320)	(432)
3	CKPN used for written off receivables during the year	(1,688)	(319)	(342)	(250)
4	Other recovery in the current period	-	-	-	-
5	Other ^{*)}	63	129	915	905
CKPN Ending Balance		1,320	812	1,725	858

^{*)} Discount Effect and Exchange Difference

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Disclosure of Net Receivables based on Portfolio and Rating

	Portfolio Category	Long-Term Rating					
		Rating Company					
		Standad and Poor's	AAA	AA+ sd AA-	A+ sd A-	BBB+ sd BBB-	
		Fitch Rating	AAA	AA+ sd AA-	A+ sd A-	BBB+ sd BBB-	
		Moody's	Aaa	Aa1 sd AA3	A1 sd A3	Baaa1 sd Baa3	
		PT Fitch Rating Indonesia	AAA	AA+(idn) to AA- (idn)	A+ (idn) to A-(idn)	BBB+ (idn) to BBB- (idn)	
		PT ICRA Indonesia	(Idr) AAA	(Idr) AA+ to (Idr) AA-	(Idr) A+ to (Idr) A-	(Idr) BBB+ to (Idr) BBB-	
		PT Pemeringkat Efek Indonesia	ID AAA	idAA+ to id AA-	idA+ to id A-	id BBB+ to id BBB-	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
A	Balance Sheet Exposure						
1	Receivables on Government		-	-	-	-	
2	Receivables on Public Sector Entities		-	-	2,602	-	
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-	
4	Receivables on Banks		-	-	-		
5	Loans Secured by Residential Property						
6	Loans Secured by Commercial Real Estate						
7	Loans for Retired						
8	Receivables on Micro, Small Business & Retail Portfolio						
9	Receivables on Corporate		-	2,559	2,348	193	
10	Past Due Receivables						
11	Other Assets						
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-	
	Total Balance Sheet Exposure		-	2,559	4,950	193	
B	Administrative Account Exposure						
1	Receivables on Government		-	-	-	15	
2	Receivables on Public Sector Entities		-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-	
4	Receivables on Banks		-	12	-	-	
5	Loans Secured by Residential Property						
6	Loans Secured by Commercial Real Estate						
7	Loans for Retired						
8	Receivables on Micro, Small Business & Retail Portfolio						
9	Receivables on Corporate		-	-	-	-	
10	Past Due Receivables						
11	Other Assets						
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-	
	Total Administrative Account Exposure		-	-	8	30	
C	Counter Party Credit Risk Exposure						
1	Receivables on Government		-	-	-	-	
2	Receivables on Public Sector Entities		-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-	
4	Receivables on Banks		460	381	11	1	
5	Loans Secured by Residential Property						
6	Loans Secured by Commercial Real Estate						
7	Loans for Retired						
8	Receivables on Micro, Small Business & Retail Portfolio						
9	Receivables on Corporate		5	42	1	8	
10	Past Due Receivables						
11	Other Assets						
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-	
	Total Counter Party Credit Risk Exposure		465	424	12	9	
	TOTAL		465	2,982	4,970	247	

(in billion Rupiah)

31 December 2018									
Short-Term Rating								Unrated	Total
BB+ sd BB-	B+ sd B-	Lower than B-	A-1	A-2	A-3	Lower than A-3			
BB+ sd BB-	B+ sd B-	Lower than B-	F1+ to F1	F2	F3	Lower than F3			
Ba1 sd Ba3	B1 sd B3	Lower than B3	P-1	P-2	P-3	Lower than P-3			
BB= (idn) to BB- (idn)	B+ (idn) to B- (idn)	Lower than B- (idn)	F1+ (idn) to F1 (idn)	F2 (idn)	F3 (idn)	Lower than F3 (idn)			
(ldr) BB+ to (ldr) BB-	(ldr) B+ to (ldr) B-	Lower than (ldr) B-	(ldr) A1+ to (ldr) A1	(ldr) A2+ sd (ldr) A2	(ldr) A3+ to (ldr) A4	Lower than (ldr) A3			
id BB+ to id BB	id B+ to id B-	Lower than id B-	id A1	id A2	id A3 sd A4	Lower than id A4			
(8)	(9)	(10)	(11)	(12)	(13)	(14)		(15)	(16)
-	-	-	-	-	-	-		23,830	23,830
971	-	-	-	-	-	-		3,132	6,705
-	-	-	-	-	-	-		-	-
-	-	-	206	8,980	257	182		723	10,348
								235	235
								-	-
								4,933	4,933
1,157	671							50,078	57,007
								730	730
								4,072	4,072
-	-	-	-	-	-	-		-	-
2,128	671	-	206	8,980	257	182		87,732	107,858
-	-	-	-	-	-	-		-	15
-	-	-	-	-	-	-		217	217
-	-	-	-	-	-	-		-	-
-	-	-	-	-	-	-		-	12
								-	-
								-	-
								9	9
-	-	-	-	-	-	-		5,853	5,853
								2	2
-	-	-	-	-	-	-		-	-
-	-	-	-	-	-	-		6,056	6,108
-	-	-	-	-	-	-		-	-
-	-	-	-	-	-	-		-	-
-	-	-	-	-	-	-		1,145	1,145
-	-	-	-	-	-	-		-	-
-	-	-	-	-	-	-		-	-
22	-	-	-	-	-	-		324	1,200
								-	-
								-	-
								-	-
-								477	533
								-	-
-	-	-	-	-	-	-		-	-
22	-	-	-	-	-	-		1,947	2,878
2,150	671	-	206	8,980	257	182		95,734	116,844

(1)	Portfolio Category	Long-Term Rating				
		Rating Company				
		Standad and Poor's	AAA	AA+ sd AA-	A+ sd A-	BBB+ sd BBB-
		Fitch Rating	AAA	AA+ sd AA-	A+ sd A-	BBB+ sd BBB-
		Moody's	Aaa	Aa1 sd AA3	A1 sd A3	Baaa1 sd Baa3
		PT Fitch Rating Indonesia	AAA	AA+(idn) to AA- (idn)	A+ (idn) to A-(idn)	BBB+ (idn) to BBB- (idn)
		PT ICRA Indonesia	(Idr) AAA	(Idr) AA+ to (Idr) AA-	(Idr) A+ to (Idr) A-	(Idr) BBB+ to (Idr) BBB-
		PT Pemeringkat Efek Indonesia	ID AAA	idAA+ to id AA-	idA+ to id A-	id BBB+ to id BBB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)
A	Balance Sheet Exposure					
1	Receivables on Government		-	-	-	-
2	Receivables on Public Sector Entities		64	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		-	-	-	-
5	Loans Secured by Residential Property					
6	Loans Secured by Commercial Real Estate					
7	Loans for Retired					
8	Receivables on Micro, Small Business & Retail Portfolio					
9	Receivables on Corporate		-	1,350	2,443	152
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-
	Total Balance Sheet Exposure		64	1,350	2,443	152
B	Administrative Account Exposure					
1	Receivables on Government		-	-	-	15
2	Receivables on Public Sector Entities		-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		-	-	-	-
5	Loans Secured by Residential Property					
6	Loans Secured by Commercial Real Estate					
7	Loans for Retired					
8	Receivables on Micro, Small Business & Retail Portfolio					
9	Receivables on Corporate		-	-	-	-
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-
	Total Administrative Account Exposure		-	-	-	-
C	Counter Party Credit Risk Exposure					
1	Receivables on Government		-	-	-	-
2	Receivables on Public Sector Entities		-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		662	-	-	-
5	Loans Secured by Residential Property					
6	Loans Secured by Commercial Real Estate					
7	Loans for Retired					
8	Receivables on Micro, Small Business & Retail Portfolio					
9	Receivables on Corporate		102	-	-	-
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-
	Total Counter Party Credit Risk Exposure		764	-	-	-
	TOTAL		828	1,350	2,443	152

(in billion Rupiah)

31 December 2017									
Short-Term Rating								Unrated	Total
BB+ sd BB-	B+ sd B-	Lower than B-	A-1	A-2	A-3	Lower than A-3			
BB+ sd BB-	B+ sd B-	Lower than B-	F1+ to F1	F2	F3	Lower than F3			
Ba1 sd Ba3	B1 sd B3	Lower than B3	P-1	P-2	P-3	Lower than P-3			
BB= (idn) to BB- (idn)	B+ (idn) to B- (idn)	Lower than B- (idn)	F1+ (idn) to F1 (idn)	F2 (idn)	F3 (idn)	Lower than F3 (idn)			
(ldr) BB+ to (ldr) BB-	(ldr) B+ to (ldr) B-	Lower than (ldr) B-	(ldr) A1+ to (ldr) A1	(ldr) A2+ sd (ldr) A2	(ldr) A3+ to (ldr) A4	Lower than (ldr) A3			
id BB+ to id BB	id B+ to id B-	Lower than id B-	id A1	id A2	id A3 sd A4	Lower than id A4			
(8)	(9)	(10)	(11)	(12)	(13)	(14)		(15)	(16)
-	-	-	-	-	-	-	-	26,882	26,882
-	-	-	-	-	-	-	-	-	64
-	-	-	-	-	-	-	-	-	-
-	-	-	7,832	-	548	68	-	450	8,898
								183	183
								-	-
								13,791	13,791
1,262	394	-	-	-	-	-	-	40,394	45,995
								867	867
								4,337	4,337
-	-	-	-	-	-	-	-	-	-
1,262	394	-	7,832	-	548	68	-	86,903	101,016
-	-	-	-	-	-	-	-	14	14
-	-	-	-	-	-	-	-	243	243
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	15	15
								-	-
								-	-
								73	73
-	-	-	-	-	-	-	-	5,787	5,787
								1	1
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	6,133	6,133
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
19	-	-	29	-	-	9	-	37	756
								-	-
								-	-
								-	-
-	-	-	-	-	-	-	-	402	504
								-	-
								-	-
-	-	-	-	-	-	-	-	-	-
19	-	-	29	-	-	9	-	438	1,259
1,281	394	-	7,861	0	548	77	-	93,475	108,410

The biggest segment of Bank is the corporation which is the same with the prior year. Long-term corporate billing is dominated by highest rating AA+ until AA- and A+ until A- (according to Standard & Poor's), meanwhile short-term ranked in the form of bills to the Bank is dominated by ranked A-2 (according to Standard & Poor's).

Disclosure of Net Receivables and Credit Risk Mitigation Techniques (MRK)

There are three methods that can be used, namely: MRK techniques with collateral, MRK techniques with warranty, and / or MRK techniques with insurance or credit insurance.

Meanwhile, most of the collaterals received by the Bank are in the form of land and buildings that cannot be accounted for in these MRK techniques, thus resulting in less-calculated collateral.

No.	Portfolio Category	31 December 2018					
		Net Receivables	Secured by Collateral	Secured by Guarantee	Secured by Credit Insurance	Secured by Others	Unsecured Portion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3) - [(4) + (5) + (6) + (7)]
A	Balance Sheet Exposure						
1	Receivables on Government	23,829	-	-	-		23,829
2	Receivables on Public Sector Entities	6,705	-	-	-		6,705
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	10,348	-	-	-		10,348
5	Loans Secured by Residential Property	235	-	-	-		235
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Loans for Retired	-	-	-	-		-
8	Receivables on Micro, Small Business & Retail Portfolio	4,932	5	-	-		4,927
9	Receivables on Corporate	57,007	1,435	-	-		55,572
10	Past Due Receivables	730	2	-	-		728
11	Other Assets	4,072	-	-	-		4,072
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-		-
	Total Balance Sheet Exposure	107,858	1,442	-	-	-	106,416
B	Administrative Account Exposure						
1	Receivables on Government	15	-	-	-		15
2	Receivables on Public Sector Entities	217	-	-	-		217
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	12	-	-	-		12
5	Loans Secured by Residential Property	-	-	-	-		-
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Loans for Retired	-	-	-	-		-
8	Receivables on Micro, Small Business & Retail Portfolio	9	-	-	-		9
9	Receivables on Corporate	5,853	-	-	-		5,853

No.	Portfolio Category	31 December 2018					
		Net Receivables	Secured by Collateral	Secured by Guarantee	Secured by Credit Insurance	Secured by Others	Unsecured Portion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3) - [(4) + (5) + (6) + (7)]
10	Past Due Receivables	2	-	-	-		2
11	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	-
	Total Administrative Account Exposure	6,108	-	-	-	-	6,108
C	Counter Party Credit Risk Exposure						
1	Receivables on Government	1,145	-	-	-		1,145
2	Receivables on Public Sector Entities	-	-	-	-		-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	1,200	-	-	-		1,200
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-		-
6	Receivables on Corporate	533	-	-	-		533
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-		-
	Total Counterparty Credit Risk Exposure	2,878	-	-	-	-	2,878
	Total (A+B+C)	116,844	1,442	-	-	-	115,402



No.	Portfolio Category	31 December 2017					
		Net Receivables	Secured by Collateral	Secured by Guarantee	Secured by Credit Insurance	Secured by Others	Unsecured Portion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3) - [(4) + (5) + (6) + (7)]
A	Balance Sheet Exposure						
1	Receivables on Government	26,882	-	-	-		26,882
2	Receivables on Public Sector Entities	64	-	-	-		64
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	8,898	-	-	-		8,898
5	Loans Secured by Residential Property	183	-	-	-		183
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Loans for Retired	-	-	-	-		-
8	Receivables on Micro, Small Business & Retail Portfolio	13,791	-	-	-		13,791
9	Receivables on Corporate	45,995	-	-	-		45,995
10	Past Due Receivables	867	-	-	-		867
11	Other Assets	4,337	-	-	-		4,337
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-		-
	Total Balance Sheet Exposure	101,017	-	-	-	-	101,017
B	Administrative Account Exposure						
1	Receivables on Government	14	-	-	-		14
2	Receivables on Public Sector Entities	243	-	-	-		243
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	15	-	-	-		15
5	Loans Secured by Residential Property	-	-	-	-		-
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Loans for Retired	-	-	-	-		-
8	Receivables on Micro, Small Business & Retail Portfolio	73	-	-	-		73
9	Receivables on Corporate	5,787	-	-	-		5,787
10	Past Due Receivables	1	-	-	-		1
11	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	-
	Total Administrative Account Exposure	6,133	-	-	-	-	6,133
C	Counter Party Credit Risk Exposure						

No.	Portfolio Category	31 December 2017					
		Net Receivables	Secured by Collateral	Secured by Guarantee	Secured by Credit Insurance	Secured by Others	Unsecured Portion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3) - [(4) + (5) + (6) + (7)]
1	Receivables on Government	-	-	-	-		-
2	Receivables on Public Sector Entities	-	-	-	-		-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	756	-	-	-		756
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-		-
6	Receivables on Corporate	504	-	-	-		504
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-		-
	Total Counterparty Credit Risk Exposure	1,260	-	-	-	-	1,260
	Total (A+B+C)	108,410	-	-	-	-	108,410



For the position of December 2018, there are cash collaterals that can be used as a deduction in credit risk mitigation for Micro, Small, and Medium Enterprises, as well as the Corporates' and Past Due Receivables.

Credit Risk Calculation Standard Approach - Disclosure of Asset Exposure in Balance Sheet

(in billion Rupiah)

No.	Description	31 December 2018			31 December 2017		
		Net Receivables	RWA before MRK	RWA after MRK	Net Receivables	RWA before MRK	RWA after MRK
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivables on Government	23,829	-	-	26,882	-	-
2	Receivables on Public Sector Entities	6,705	3,838	3,838	64	13	13
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	10,348	2,228	2,228	8,898	1,918	1,887
5	Loans Secured by Residential Property	235	56	56	183	64	64
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Loans for Retired	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	4,932	3,699	3,695	13,791	10,344	10,123
9	Receivables on Corporate	57,007	54,121	52,686	45,995	43,890	42,774
10	Past Due Receivables	730	1,094	1,090	867	1,302	1,289
11	Other Assets	4,072	-	3,495	4,337	-	3,767
Total		107,858	65,036	67,088	101,017	57,531	59,917

Disclosure of Exposure to Commitment/Contingent Liabilities on Administrative Account Transactions

In addition to the RWA of assets in the balance sheet, the Bank also has an RWA that arises from the liabilities of commitment and contingencies on administrative account transactions that mainly consist of Letter of Credit and Bank Guarantee issued to corporate customers. Undisbursed credit facilities are included in the RWA calculation. The following table presents the comparison of RWA for credit risk on administrative account charges before and after taking into account MRK.

(in billion Rupiah)

No.	Description	31 December 2018			31 December 2017		
		Net Receivables	RWA before MRK	RWA after MRK	Net Receivables	RWA before MRK	RWA after MRK
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivables on Government	15	-	-	14	-	-
2	Receivables on Public Sector Entities	217	109	109	243	122	122
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	12	2	2	15	3	3
5	Loans Secured by Residential Property	-	-	-	-	-	-
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Loans for Retired	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	9	7	7	73	55	55
9	Receivables on Corporate	5,853	5,853	5,853	5,787	5,787	5,787
10	Past Due Receivables	2	3	3	1	1	1
Total		6,108	5,974	5,974	6,133	5,968	5,968

Disclosure of Exposure that Arises Credit Risk as a Result of Counterparty Credit Risk

Here is the comparison of RWA after and before MRK for credit risk due to the counterparty's defaults:

(in billion Rupiah)

No.	Description	31 December 2018			31 December 2017		
		Net Receivables	RWA before MRK	RWA after MRK	Net Receivables	RWA before MRK	RWA after MRK
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivables on Government	1,145	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	1,200	338	338	756	179	179
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-
6	Receivables on Corporate	533	495	495	504	422	422
Total		2,878	833	833	1,260	601	601



Disclosure of Maturity Profile

- Disclosure of Rupiah Maturity Profile

No.	Posts	31 December 2018					
		Balance	Due date				
			≤ 1 month	> 1 month to 3 month	> 3 month to 6 month	> 6 month to 12 month	> 12 month
I	BALANCE						
A	Asset	55,745	15,879	10,472	8,391	11,620	9,383
1	Cash	433	433	-	-	-	-
2	Placements with Bank Indonesia	8,949	5,594	1,381	734	1,240	-
3	Placements with other banks	60	60	-	-	-	-
4	Marketable Securities	11,280	2,069	741	1,557	1,607	5,306
5	Loans	31,290	5,126	7,783	5,551	8,768	4,062
6	Other Receivables	1,913	777	567	549	5	15
7	Others	1,820	1,820	-	-	-	-
	Total Asset	55,745	15,879	10,472	8,391	11,620	9,383
B	Liabilities	47,624	43,055	3,205	1,095	236	33
1	Third party depositors	33,836	29,741	2,901	958	236	-
2	Liabilities on Bank Indonesia	-	-	-	-	-	-
3	Liabilities with Other Banks	8,766	8,766	-	-	-	-
4	Securities issued	-	-	-	-	-	-
5	Borrowings	-	-	-	-	-	-
6	Other Liabilities	2,269	1,795	304	137	-	33
7	Others	2,753	2,753	-	-	-	-
	Total Liabilities	47,624	43,055	3,205	1,095	236	33
	On Balance Sheet Asset and Liabilities Differences	8,121	(27,176)	7,267	7,296	11,384	9,350
II	OFF BALANCE SHEET						
A	Off Balance Sheet Receivable	1,363	673	11	101	575	3
1	Commitment	-	-	-	-	-	-
2	Contingencies	1,363	673	11	101	575	3
	Total Off Balance Sheet Receivables	1,363	673	11	101	575	3
B	Off Balance Sheet Liabilities	36,215	9,303	7,612	4,413	9,503	5,384
1	Commitment	31,496	8,832	7,205	2,681	8,569	4,209
2	Contingencies	4,719	471	407	1,732	934	1,175
	Total Off Balance Sheet Liabilities	36,215	9,303	7,612	4,413	9,503	5,384
	Total Off Balance Sheet Asset and Liabilities Difference	(34,852)	(8,630)	(7,601)	(4,312)	(8,928)	(5,381)
	Difference [(IA-IB)+(IIAIIIB)]	(26,731)	(35,806)	(334)	2,984	2,456	3,969
	The Cumulative Difference	-	(35,806)	(36,140)	(33,156)	(30,700)	(26,731)

No.	Posts	31 December 2017					
		Balance	Due date				
			≤ 1 month	> 1 month to 3 month	> 3 month to 6 month	> 6 month to 12 month	> 12 month
I	BALANCE						
A	Asset	57,283	16,350	8,690	9,215	11,276	11,752
1	Cash	408	408	-	-	-	-
2	Placements with Bank Indonesia	12,038	4,908	1,785	3,134	2,211	-
3	Placements with other banks	15	15	-	-	-	-
4	Marketable Securities	11,517	66	1,340	623	3,060	6,428
5	Loans	30,210	8,633	5,414	4,854	5,999	5,310
6	Other Receivables	937	162	151	604	6	14
7	Others	2,158	2,158	-	-	-	-
	Total Asset	57,283	16,350	8,690	9,215	11,276	11,752
B	Liabilities	44,571	40,842	2,538	975	211	5
1	Third party depositors	34,616	31,152	2,385	872	207	-
2	Liabilities on Bank Indonesia	-	-	-	-	-	-
3	Liabilities with Other Banks	6,470	6,470	-	-	-	-
4	Securities issued	-	-	-	-	-	-
5	Borrowings	-	-	-	-	-	-
6	Other Liabilities	407	142	153	103	4	5
7	Others	3,078	3,078	-	-	-	-
	Total Liabilities	44,571	40,842	2,538	975	211	5
	On Balance Sheet Asset and Liabilities Differences	12,712	(24,492)	6,152	8,240	11,065	11,747
II	OFF BALANCE SHEET						
A	Off Balance Sheet Receivable	1,492	658	265	15	535	19
1	Commitment	-	-	-	-	-	-
2	Contingencies	1,492	658	265	15	535	19
	Total Off Balance Sheet Receivables	1,492	658	265	15	535	19
B	Off Balance Sheet Liabilities	39,254	14,652	5,696	4,512	9,330	5,064
1	Commitment	33,997	14,092	4,948	3,470	7,453	4,034
2	Contingencies	5,257	560	748	1,042	1,877	1,030
	Total Off Balance Sheet Liabilities	39,254	14,652	5,696	4,512	9,330	5,064
	Total Off Balance Sheet Asset and Liabilities Difference	(37,762)	(13,994)	(5,431)	(4,497)	(8,795)	(5,045)
	Difference [(IA-IB)+(IIA/IIB)]	(25,050)	(38,486)	721	3,743	2,270	6,702
	The Cumulative Difference	-	(38,486)	(37,765)	(34,022)	(31,752)	(25,050)

• Disclosure of Foreign Currency Maturity Profile

No.	Posts	31 December 2018					
		Balance	Due date				
			≤ 1 month	> 1 month to 3 month	> 3 month to 6 month	> 6 month to 12 month	> 12 month
I	BALANCE						
A	Asset	54,060	21,195	9,912	8,491	13,179	1,283
1	Cash	221	221	-	-	-	-
2	Placements with Bank Indonesia	3,530	3,530	-	-	-	-
3	Placements with other banks	9,444	9,393	51	-	-	-
4	Marketable Securities	469	162	191	26	-	90
5	Loans	37,184	5,942	8,912	8,232	13,049	1,049
6	Other Receivables	2,609	1,344	758	233	130	144
7	Others	603	603	-	-	-	-
	Total Asset	54,060	21,195	9,912	8,491	13,179	1,283
B	Liabilities	45,680	21,798	1,629	401	539	21,313
1	Third party depositors	21,071	19,559	964	179	369	-
2	Liabilities on Bank Indonesia	-	-	-	-	-	-
3	Liabilities with Other Banks	10	10	-	-	-	-
4	Securities issued	-	-	-	-	-	-
5	Borrowings	21,052	-	-	-	-	21,052
6	Other Liabilities	2,414	1,096	665	222	170	261
7	Others	1,133	1,133	-	-	-	-
	Total Liabilities	45,680	21,798	1,629	401	539	21,313
	On Balance Sheet Asset and Liabilities Differences	8,380	(603)	8,283	8,090	12,640	(20,030)
II	OFF BALANCE SHEET						
A	Off Balance Sheet Receivable	22,558	10,299	1,496	4,385	3,273	3,105
1	Commitment	15,981	8,603	1,337	1,188	2,874	1,979
2	Contingencies	6,577	1,696	159	3,197	399	1,126
	Total Off Balance Sheet Receivables	22,558	10,299	1,496	4,385	3,273	3,105
B	Off Balance Sheet Liabilities	77,226	10,536	18,311	8,891	26,467	13,021
1	Commitment	71,420	10,305	17,570	6,985	25,185	11,375
2	Contingencies	5,806	231	741	1,906	1,282	1,646
	Total Off Balance Sheet Liabilities	77,226	10,536	18,311	8,891	26,467	13,021
	Total Off Balance Sheet Asset and Liabilities Difference	(54,668)	(237)	(16,815)	(4,506)	(23,194)	(9,916)
	Difference [(IA-IB)+(IIAIIIB)]	(46,288)	(840)	(8,532)	3,584	(10,554)	(29,946)
	The Cumulative Difference	-	(840)	(9,372)	(5,788)	(16,342)	(46,288)

No.	Posts	31 December 2017					
		Balance	Due date				
			≤ 1 month	> 1 month to 3 month	> 3 month to 6 month	> 6 month to 12 month	> 12 month
I	BALANCE						
A	Asset	45,414	26,866	5,861	4,683	6,374	1,630
1	Cash	174	174	-	-	-	-
2	Placements with Bank Indonesia	3,297	3,297	-	-	-	-
3	Placements with other banks	8,205	8,205	-	-	-	-
4	Marketable Securities	400	133	150	2	7	108
5	Loans	30,452	13,305	4,905	4,463	6,332	1,447
6	Other Receivables	2,095	961	806	218	35	75
7	Others	791	791	-	-	-	-
	Total Asset	45,414	26,866	5,861	4,683	6,374	1,630
B	Liabilities	41,575	25,923	1,368	464	1,699	12,121
1	Third party depositors	22,316	21,137	676	192	311	-
2	Liabilities on Bank Indonesia	-	-	-	-	-	-
3	Liabilities with Other Banks	1,904	1,904	-	-	-	-
4	Securities issued	-	-	-	-	-	-
5	Borrowings	13,364	-	-	-	1,357	12,007
6	Other Liabilities	1,947	838	692	272	31	114
7	Others	2,044	2,044	-	-	-	-
	Total Liabilities	41,575	25,923	1,368	464	1,699	12,121
	On Balance Sheet Asset and Liabilities Differences	3,839	943	4,493	4,219	4,675	(10,491)
II	OFF BALANCE SHEET						
A	Off Balance Sheet Receivable	22,854	13,382	4,486	1,415	1,848	1,723
1	Commitment	18,794	11,708	3,695	1,020	1,309	1,062
2	Contingencies	4,060	1,674	791	395	539	661
	Total Off Balance Sheet Receivables	22,854	13,382	4,486	1,415	1,848	1,723
B	Off Balance Sheet Liabilities	74,099	34,759	10,994	8,315	18,217	1,814
1	Commitment	68,909	34,464	10,141	7,559	16,531	214
2	Contingencies	5,190	295	853	756	1,686	1,600
	Total Off Balance Sheet Liabilities	74,099	34,759	10,994	8,315	18,217	1,814
	Total Off Balance Sheet Asset and Liabilities Difference	(51,245)	(21,377)	(6,508)	(6,900)	(16,369)	(91)
	Difference [(IA-IB)+(IIAIIIB)]	(47,406)	(20,434)	(2,015)	(2,681)	(11,694)	(10,582)
	The Cumulative Difference	-	(20,434)	(22,449)	(25,130)	(36,824)	(47,406)

Business Outlook

2019 Macroeconomic Analysis

Global economic growth is expected to decline in 2019 along with slower international trade and manufacturing activity, high trade tensions, and substantial financial market pressures on some emerging economies.

The World Bank in its Global Economic Prospects report forecasts global growth to reach 2.9% in 2019, a decrease from the revised down 3% growth in 2018. Growth among advanced economies is expected to fall to 2%, while emerging markets are likely to grow steadily at a weaker-than-expected rate of 4.2%.

The move by central banks of advanced economies to withdraw policy accommodation in varying degrees will place pressure on emerging countries. Some developing economies have been affected by the strengthening US dollar, higher financial market volatility, and intensifying capital outflow in 2018, and this may continue in 2019.

Economic growth in the US has remained solid, supported by fiscal stimulus, but it is predicted to slow down in 2019 to 2.5% on the expectation that the accommodative monetary policy will be removed and the fiscal stimulus will fade. Meanwhile, the Chinese government's move to ease policy should be enough to keep growth ticking along at an average of 6.6% in 2019, the same pace as in 2018. Lower growth in the two of the world's largest economies might impact other emerging countries through trade, financial, and commodity market channels.

The Euro Area is projected to see growth decelerate to 1.6% in 2019 as the monetary stimulus is withdrawn and global trade moderates. Japan's economy is expected to pick up slightly to 0.9% in 2019 but moderating in the next couple of years, while India may see growth rise to 7.5% as consumption remains robust and investment continues to grow.

In the region, the ASEAN is a study in resilience. Indonesia is likely to see growth of 5% in 2019, slightly slowing from 2018 with uncertainty over the national election. The Philippines, with its extensive infrastructure construction, should deliver growth of 6%. Malaysia, under the new government, has plenty of growth coming, while Vietnam is also keeping its

stride. Meanwhile, Thailand may see a slightly cooling growth in 2019 after seeing growth soar above 4% in 2018 for the first time since 2012, and Singapore might also grapple a little.

According to the World Bank, the global outlook in 2019 is riddled with uncertainty, with predominant downside risks. The contributing factors that could trigger a global slowdown include a faster-than-expected tightening of global financing, unpredictable exchange rate shifts, escalating trade tensions, rising political uncertainty and polarisation, as well as geopolitical risks.

According to Bank Indonesia, the country's growth in 2019 is estimated to range between 5.0% and 5.4%. This is in line with the World Bank's projection of 5.2%. While domestic consumption will still be the largest contributing factor to the economy, investment will likely dampen before the Presidential Election in April. Only after the election, provided it runs smoothly, investors will start putting money into Southeast Asia's largest economy.

The inflation target for 2019 has been set at $3.5 \pm 1\%$, as the government and the central bank aim to stabilise volatile food prices and administered prices as well as the exchange rate of the Rupiah. In 2018, the Rupiah depreciated 6.05% on average, closing Rp14,481 per US dollar, while inflation stood at 3.13%. The government has set the Rupiah target at Rp15,000 per dollar in the 2019 state budget, though the Rupiah slightly strengthened in the beginning of the year.

One of the main risks to Indonesia's economy in 2018 was the current account deficit (CAD), which rose to 3% of the country's gross domestic product. The swelling CAD also caused the Rupiah to tumble. In 2019, Bank Indonesia will cooperate with the government and the relevant authorities to bring CAD down to 2.5% by managing imports and boosting export and tourism. The government has been promoting the B20 program to reduce oil imports and use palm oil as an alternative, while delaying some infrastructure projects. The 10 New Bali program is also expected to attract more tourists to Indonesian destinations other than Bali by easing access to areas including Lake Toba, Borobudur Temple, and Mandalika. These efforts are expected to reduce the volatility of the Rupiah.



Information on Business Continuity

Overall, in 2019 the banking industry is forecast to face similar challenges as it did in 2018. The most direct challenge will come in the form of liquidity. Since 2018, liquidity has remained tight, and bankers expect the growth in third party funds to remain slow in 2019. This means that banks will have to secure funding through other means, such as bond issuance. Banks should also be prudent in disbursing loans, amid the fear of rising bad loans created by uncertainty in the global economy.

The rise of digital finance will also pose a challenge to conventional banking, with more customers adapting to the simplicity offered by financial technology firms. The banking industry should remain vigilant in regard to the movement of the US dollar, preventing any sudden change from hurting the banking sector. The Presidential Election in April will inevitably lead to slower economic decisions for certain businesses and investors, something that should be a consideration for the banking sector.

The OJK has tipped the government to tap other economic opportunities that have not yet been maximized, such as tourism or mining, to give way for banks in channelling loans. The OJK will also implement several initiatives to help accelerate the financial sector, including expanding alternatives for short- and long-term financing, as well as supporting innovations in finance to adapt to the digital wave.

A stable domestic growth, and the move by Bank Indonesia and the government to reduce current account deficit, should create a more conducive environment for banks to expand. Bank Indonesia has also stated that it will create an accommodative macroprudential policy to boost bank intermediation while ensuring that the financial system remains resilient.

Bank Indonesia will focus on seven areas in 2019. First: maintaining a pre-emptive and ahead-of-the-curve monetary policy that is focused on stability. Second: making an accommodative macroprudential policy to boost bank intermediation while ensuring financial system resilience. Third: expanding the payment system both for cash and cashless transactions to support digital economy and finance. Fourth: accelerating financial market deepening. Fifth: developing sharia finance and economy. Sixth: supporting development of micro, small, and medium-sized businesses. Seventh: directing international policy to strengthen positive perception of Indonesia.

Close cooperation between Bank Indonesia, the government, and the relevant authorities, including the Financial Services Authority, will help strengthen the economy against the potential risks stemming from a global downturn.



Good Corporate Governance





Good Corporate Governance



The Bank's soundness level ranked second or attained the "Good" category. The soundness level shows that the Bank's business activities have been conducted in fair manners. The results of GCG self-assessments are included in the comprehensive Bank Soundness Level evaluation and have been discussed with Financial Services Authority's Supervision Team



THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE IMPLEMENTATION

The concept and practice of Good Corporate Governance (GCG) began in the 1990s following the financial crises in Asia and Latin America. Experts argued that this crisis emerged due to the failure of corporates to implement effective corporate governance. Root causes of that failure included ineffective legal system, non-existent accounting and audit standards, poor banking practices, and inadequate attention to minority shareholders.

The demand for consistent and comprehensive GCG has risen since those failures. The principles of GCG, such as fairness, transparency, accountability, and concern for shareholders, were seen as critical for crisis-affected companies and economies to become healthier, more competitive and more dynamic and professional in their management practices.

In early 1999, GCG started to attract attention in Indonesia. A Decree by the Coordinating Ministry of Economic Affairs No. KEP.31/M.EKUIIN/08/1999 formed the National Committee on Governance (KNKCG), which then published Indonesia's first GCG Guidelines.

Following that, Bank Indonesia issued provisions on the implementation of GCG: Bank Indonesia Regulation (PBI) No.8/4/PBI/2006 dated 30 January 2006 on the Implementation of Good Corporate Governance for Public Banks, which was subsequently replaced by Bank Indonesia Regulation No.8/14/PBI/2006 dated 5 October 2006 on the Implementation of Good Corporate Governance for Public Banks and Bank Indonesia Circular Letter No.15/15/DPNP/ dated 29 April 2013 on the Implementation of Good Corporate Governance for Public Banks. At the end of 2016, these Regulation and Circular Letter were replaced by the Indonesia Financial Services Authority (OJK) Regulation No.55/POJK.03/2016 dated 7 December 2016 on the Implementation of Governance for Public Banks and OJK Circular Letter No. 13/SEOJK.03/2017 dated 17 March 2017 on Implementation of Good Corporate Governance for Public Banks.



In line with the issuance of OJK Regulation No. 18/POJK.03/2014 dated 18 November 2014 about the Implementation of Integrated Governance for Financial Conglomeration and OJK Circular Letter No.15/SEOJK.03/2015 dated 25 May 2015 regarding the Integrated Corporate Governance for Financial Conglomeration, and followed by the successful integration of the Bank with KCBA HSBC, the Bank has reviewed and made several adjustments as well as improvements to the structure and infrastructure, among others by establishing the Bank as the Main Entity in HSBC Financial Conglomeration in Indonesia.

GOVERNANCE STATEMENT

The Bank's Governance Structures are based on the applicable law governing Limited Liability Companies (UU No. 40/2007) and consist of three bodies: the General Meeting of Shareholders (GMS) which is an ultimate forum for the shareholders, the Board of Commissioners, and the Board of Directors.

The Bank realizes that the implementation of Good Corporate Governance (GCG) principles to the Company's operation is a prerequisite for the organisation to grow in a healthy way. In 2018, the Bank remained committed to perfecting the implementation of GCG values consistently and continuously. Thus, the Bank was able to improve financial performance and protect the interests of shareholders both in the short and long term without neglecting the interests of other stakeholders.

The Bank continues to optimize its governance structures and procedures in line with OJK regulations on GCG. This includes the Company's values, resources capacity, and effective and efficient risk mapping.

The Bank's GCG infrastructures, such as the committees under the Board of Commissioners' supervision, are constantly empowered through an exceptional synergized teamwork. This is important for the Bank's business to ensure that its business activities are in line with the applicable laws.

GOOD CORPORATE GOVERNANCE PRINCIPLES

The Bank is committed to the five principles of GCG. These underpin the implementation of GCG and are essential for the Bank to achieve its vision and goals.

1. Transparency

Transparency concerns the following areas: the quality of information given by the Bank; transparent decision-making; open disclosure of information; the ongoing provision of accurate, accessible, and comprehensible information to Stakeholders; and the conduct of business in an objective and professional manner in support of the Bank's customers.

2. Accountability

Accountability concerns the evaluation of the performance of the Bank's supervisory bodies, including the Board of Commissioners and the Board of Directors, and depends on a healthy, measurable, and professional management.

3. Responsibility

Responsibility on the implementation of GCG principals is the Bank's commitment to continuously comply with the prevailing regulations and consistently implements a healthy and accountable management for society and environment.

4. Independence

Independence requires the Bank's management to be free from conflict of interests and third-party interventions that are inconsistent with the prevailing laws and regulations. Each of the Bank's departments and functions - and their subordinates - are independent in order to avoid undue dominance over fellow employees and ensure that staff can exercise their duty and responsibility with objectivity and professionalism, with undue influence from other parties.



5. Fairness and Equality

The principle of fairness is continuously implemented by the Bank in accordance with applicable agreements and regulations by providing fair and equal treatment and opportunities towards all stakeholders.

THE OBJECTIVE OF GOOD CORPORATE GOVERNANCE IMPLEMENTATION

To strengthen its competitive position, the Bank continuously implements strategies that are in line with the business plan. The advantage obtained from this competitive improvement will eventually attract customers' interest and trust. This will help the Bank to grow sustainably in the long term. Through the implementation of GCG, the Bank aims to add value to all stakeholders with these following purposes:

1. Increasing efficiency and effectiveness; supporting the sustainability of the organisation to improve the welfare of all shareholders, stakeholders, and employees; and providing effective solutions to face future challenges.
2. Establishing the Bank as a legitimate entity that's managed in fair, open, and responsible manners.
3. Maintaining and protecting all shareholders and stakeholders' rights and responsibilities.
4. Increasing the value of the Company to all shareholders.
5. Improving the efficiency and the effectiveness of the performance of the Board of Commissioners, the Board of Directors, and the Company's management.

GOVERNANCE ASSESSMENT

The GCG assessment conducted by the Bank measures the success of GCG implementation by comparing it to best practices and identifying GCG practices that need to be improved. Every semester, the Bank conducts self-assessments on GCG and submits the results to the regulator.

In the period between June and December 2018, based on the results of self-assessments, the Bank's soundness level ranked second or attained the "Good" category. The soundness level shows that the Bank's business activities have been conducted in a fair manner. The results of GCG self-assessments are included in the comprehensive Bank Soundness Level evaluation and have been discussed with the Financial Services Authority's Supervision Team. There were some minor shortcomings in the implementation of GCG conducted by

the Bank that do not have significant impact and could be addressed immediately.

GOOD CORPORATE GOVERNANCE STRUCTURES

To ensure that the principles of GCG is implemented smoothly, the Bank has formulated the GCG structures. In formulating GCG structure, the Bank always strives to complete all elements needed to implement GCG and achieve the desired results. The structures include some important aspects that are needed to improve the control and the management of the Bank. The structures consist of the main governance bodies, which are the General Meeting of Shareholders, the Board of Commissioners, the Board of Directors, and the supporting governance bodies and functions, including Internal Audit, Corporate Secretary, the Committees under the Board of Commissioners, including Audit Committee, Remuneration and Nomination Committee, and Risk Oversight Committee, Integrated Corporate Governance Committee (in implementation of integrated corporate governance for HSBC Indonesia financial conglomeration) and the Committees under the Board of Directors, such as Credit Committee, Assets and Liabilities Committee, Risk Management Committee, Information Technology, Operational, and Services Steering Committee, Financial Crime Risk Management Committee, People Committee and Integrated Risk Management Committee.

The structures comply with the provisions on limited liability governing Limited Liability Companies in Indonesia. The GCG structures implemented by the Bank are as follows:

GENERAL MEETING OF SHAREHOLDERS

GMS is the highest authority in the Bank. In the GMS, shareholders are authorized to evaluate the performance of Board of Commissioners and Board of Directors, to give approval for the annual report, to appoint and dismiss members of Board of Commissioners and Board of Directors, to specify compensation and allowances for Board of Commissioners and Board of Directors, and to appoint Independent Auditor. Annual GMS is held once every year and in 2018, the Bank has held Annual GMS on 16 May 2018. Throughout 2018, the Bank has held two Extraordinary GMS on 16 May 2018 and 8 November 2018.



Annual GMS held on 16 May 2018, had set out agenda as follows:

1. Approval and ratification of Annual Report, including Company's Financial Statement, the Board of Directors report and the Board of Commissioners Report for the financial year ended on 31 December 2017, and granting release and discharge to all members of the Board of Directors and the Board of Commissioners for management and supervisory action carried out in the financial year ended on 31 December 2017;
2. Determination of the use of the Company's net profit for financial year ended on 31 December 2017;
3. Appointment of the Registered Public Accountant Office to audit the Company's books for the financial year ended on 31 December 2018;
4. Approval and ratification of the remuneration package for the Board of Commissioners and the Board of Directors for 2018 financial year and Approval on ratification of Amendment of the remuneration package for the Board of Director in 2017; and
5. Approval for the Company's Recovery Plan.

The Extraordinary GMS held on 16 May 2018 approved amendment and restatement of articles of association of the Company and Extraordinary GMS held on 8 November 2018 approved the change of member composition of the Board of Commissioners and the Board of Directors.

BOARD OF COMMISSIONERS

Under the Limited Liability Company Law, the Board of Commissioners is an Organ of PT Bank HSBC Indonesia (Bank) responsible for supervising publicly and / or specifically in accordance with the articles of association and advising the Board of Directors. The Board of Commissioners has the duty and responsibility to oversee and advise the Board of Directors in all matters concerning company policy. In performing its duties, the Board of Commissioners exercises its right to monitor and review the performance of the Board of Directors. Based on Board of Commissioners' Guideline and Charter, the duties and the responsibilities of the Board of Commissioners are as follows:

- a. Oversee the management of the company by the Board of Directors and give approval to the Bank's annual work plan, prior to the starting of the year;
- b. Conduct duties as regulated by the applicable laws, the Articles of Association, the applicable laws and / or the decisions of the General Meeting of Shareholders;
- c. Conduct duties and responsibilities as regulated by the Bank's Articles of Association and General Meeting of Shareholders' decisions;
- d. Research and review the annual reports prepared by the Board of Directors, and as well as executing the annual report; and
- e. Comply with the Articles of Association and regulations, as well as implement the principles of professionalism, efficiency, transparency, independence, accountability, accountability, and fairness.

In connection with the duties of the Board of Commissioners referred to above, the Commissioners are obliged to:

- a. Supervise the implementation of the Bank's annual work plan;
- b. Follow the development of the Bank's activities, and in the event the Bank shows signs of setbacks, report the condition through the GMS and provide suggestions regarding corrective actions;
- c. Providing opinions and suggestions for GMS regarding every matter considered crucial for managing the Bank;
- d. Conduct other supervisory duties as determined by the GMS; and
- e. Give feedback on periodic reports prepared by the Board of Director at any time regarding the Bank's development.



The Composition of the Board of Commissioners

The composition of the Bank's Board of Commissioners as of 31 December 2018 is as follows:

Designation	Name
President Commissioner	Matthew Kneeland Lobner
Vice President Commissioner and Independent Commissioner	Hanny Wurangian
Independent Commissioner	Hariawan Pribadi
Commissioner	Mark Thomas McKeown
Independent Commissioner	Umar Juoro
Commissioner	Lucia Ka Yee Ku ^{*)}

^{*)} The appointment of Lucia Ka Yee Ku was conducted in Extraordinary GMS held on 8 November 2018. The tenure of the candidates is effective after approved by Financial Service Authority (OJK) on Fit and Proper Test result and complying with prevailing rules and regulations.

Board of Commissioners Meeting

As of 31 December 2018, the Board of Commissioners has been held 9 (nine) meetings consist of BOC meeting dated 26 February 2018, 15 May 2018, 28 June 2018, 13 November 2018 and Board of Commissioners and Board of Directors Meeting dated 26 February 2018, 15 May 2018, 28 June 2018, 29 August 2018 and 13 November 2018. The percentage of attendance at meetings is as follows:

No	Name	Number of Board of Commissioners Meeting for a Year		
		Number of Meeting in accordance with the Effective Period	Attendance	% Attendance
1	Matthew Kneeland Lobner ^{*)}	7	7	100%
2	Hanny Wurangian	9	9	100%
3	Hariawan Pribadi	9	9	100%
4	Mark Thomas McKeown	9	9	100%
5	Umar Juoro ^{**)}	7	7	100%
6	Antony Colin Turner ^{***)}	3	3	100%

^{*)} Effectively appointed as President Commissioner as of 25 June 2018

^{**)} Effectively appointed as Commissioner as of 18 May 2018

^{***)} Effectively appointed as Commissioners as of 18 May 2018 and Term of office as Commissioner has ended dated 1 September 2018

Committees Under the Board of Commissioners

In conducting their duties, the Board of Commissioners is assisted by 3 (three) Executive Committees, which are Audit Committee, Risk Oversight Committee, and Remuneration and Nomination Committee.

Audit Committee

The Audit Committee is formed by and is responsible to the Board of Commissioners in assisting the Board of Commissioners to perform duties and functions. The Audit Committee is chaired by an Independent Commissioner and consists of 2 (two) external Independent parties with specific expertise as required by the regulations.

Audit Committee Responsibilities

Audit Committee has authorities and responsibilities to:

1. Supervise the integrity of the Bank's financial statement and various formal announcements pertaining to the Bank's financial performance or information on additional regulations, review significant considerations related to the financial statement. Review the Bank's financial and accounting policies and practices.
2. Review and discuss the efficiency of the internal control system with the management pertaining to the financial statement, and if necessary, agree to the internal control's statement on the financial statement contained in the annual report which will be submitted to the Board of Commissioners.

3. Supervise and review the efficiency of Internal Audit function, consider findings from internal inspection and responses from the management, and ensure that Internal Audit function has adequate resources, placed in a proper position in the Bank and free from the management's influence or certain limitation.
4. Ensure that internal auditors coordinate with external auditors without any difficulty.
5. Provide suggestions or recommendations to the Board of Commissioners, and provide suggestions in GMS to shareholders to get approval pertaining to the appointment, reappointment, and dismissal of external auditor's service, and directly responsible to the approval of honorarium and the period of external auditor's appointment.
6. Review and supervise the independency of external auditors and the objectivity and efficiency of the audit process, consider regulators' requirements and profession, and reports from external auditors regarding the policies and the procedures on independency, quality control, and policies on audit partner rotation for external auditors.
7. Adopt best practices in HSBC Group as long it does not contradict with Indonesia's laws and regulations on the assignment of external auditors for non-audit services, by considering ethical guidelines on the implementation of non-audit services from a public accountant firm, and deliver notifications on the non-audit services conducted by the external auditors and their honorarium; submit reports to the Board of Commissioners pertaining to the necessary measures and improvements and provide recommendations as part of steps needed to be done.
8. Review the annual report prepared by external auditors, letters to the management, significant problems on accounting records found by external auditors, financial statement or control system and, in some cases, responses from the management.
9. Receive punctual responses which are required to prepare the financial statement and issues related to controls which are discussed in the letter from external auditors to the management.
10. Discuss with external auditors regarding general approaches that will be implemented, the scope and the nature of the audit and the mandatory report before the commencement of the audit, including the nature of accounting issues and the audit's findings that have not been resolved and notes from the review of interim and the audit's final results, main assessment areas (including important accounting policies and practice utilized by the Bank and its changes), all alternative accounting policies that have been discussed with the management and consequences that may arise pertaining to the implementation of the alternatives, significant adjustments, going concern assumption, compliance with accounting standards, laws, and the prerequisites of capital market, reclassification or significant additional disclosures suggested by external auditors or additional closures that may bring material impact in the future, the nature and the impact of material changes in accounting policies and practice, all written communication sent from external auditors to the management and other matters discussed with the auditor.
11. Review and discuss the adequacy of resources, accountant staff's qualifications and experiences and the function of the financial statement, training programs, fund, and transition plan from employees with vital roles in the function.
12. Consider all important findings from the inspection of internal control pertaining to the financial statement delegated by the Board of Commissioners or initiated by the Audit Committee to assess the management's response.
13. Receive the annual report and other reports from time to time as preredquired by applicable regulations and provisions, from executive officer and financial officers that must be disclosed to the Audit Committee and to external auditors regarding weaknesses in material and deficiency in internal control plans and the operational of financial reporting that may hinder the Bank in recording and reporting financial data and frauds, both material and non-material, which involve the management or other employees who have significant roles in the Bank's internal control and financial reporting process.
14. Provide assurance to the Board of Commissioners that is required to meet with the Bank's compliance standards.
15. Provide further assurance to the Board of Commissioners required to ensure the reliability of the delivered financial information.



16. Receive reports from the Compliance Function on complaints with convincing information regarding bookkeeping practice, internal control on bookkeeping practice, or matters related to the audit which are received from the Disclosure Line, a special mechanism used to report confidential information, and facilitate employees to ask questions anonymously regarding bookkeeping or audits
17. Report significant matters pertaining to the event or allegation of fraud (including misconduct or ethical issues pertaining to the financial statement) or errors in asset records which are not disclosed in the report prepared by the management for the Audit Committee.
18. Together with the Board of Commissioners, give approval on the Bank's policies to hire employees who previously worked in the external auditor team under certain conditions in accordance with the policies.
19. The Audit Committee must meet external auditors and the chairman of Internal Audit Work Unit at least once per year and ensure that all findings and issues have been resolved.
20. Conduct or being considered to represent the Chairman or the Board of Commissioners in conducting their duties from time to time.
21. The Audit Committee can appoint or utilize professional adviser's services if needed. The appointment is conducted through the Corporate Secretary as Audit Committee Secretary, which is responsible for the Bank's agreement contract and honorarium.
22. The Audit Committee must conduct an annual review of Audit Committee's Charter and its effectivity and recommend all necessary changes.
23. Report to the Board of Commissioners regarding provisions.
24. Submitting certificates every half year to the Group Audit Committee. The certificates contain statements on the Audit Committee's independency.
25. The Audit Committee considers all matters related to, and can request information that is deemed necessary from Risk Oversight Committee or other committees that are responsible to monitor risks in the Bank.

Composition of the member of the committee

Audit Committee consists of three (3) independent members:

Chairman : Independent Commissioner

Member : Independent Party with expertise in finance or accounting;

: Independent Party with expertise in Law or Banking.

Meeting:

During 2018, the Audit Committee held 5 (five) committee meetings, with attendance at the meeting as follows:

No	Name	Audit Committee Meeting		
		Number of Meetings	Attendance	% Attendance
1	Hanny Wurangian	5	5	100%
2	Yustrida Bernawati Remiasa	5	5	100%
3	Ubaidillah Nugraha	5	5	100%

Risk Oversight Committee

The Risk Oversight Committee is formed by and is responsible to the Board of Commissioners in assisting the Board of Commissioners to perform duties and functions.

The Risk Monitoring Committee is in accordance to the FSA Regulation No.55/POJK.03/2016 dated 7 December 2016 concerning Implementation of GCG for Commercial Banks.

Risk Oversight Committee Responsibilities

Risk Oversight Committee has following responsibilities, authorities, and policies:

1. Monitor and provide suggestions to the Board of Commissioners regarding all matters that shows signs of risk.
2. Provide suggestions to the Board of Commissioners regarding risk appetite and risk tolerance in formulating strategies.
3. Provide suggestions to the Board of Commissioners and/or Remuneration and Nomination Committee regarding the alignment of remuneration with risk appetite.
4. Consider and provide suggestions to the Board of Commissioners regarding risks related to the proposals of acquisition strategy implementation or sale of assets as required by the Board of Directors from time to time, after consulting the Chairman of Risk Oversight Committee.
5. Request periodic reports on risk management from the management that:
 - (i) Facilitate the Risk Oversight Committee in assessing risks indicated in the Bank's business and how the risks are controlled and supervised by the management; and
 - (ii) Provide clear, explicit and specific focus on the aspects of current risk exposure and risk exposure that may arise which require complex assessments on the Bank's vulnerability towards unidentified risks.
6. Review the efficiency of the Bank's risk management framework and the internal control system (in addition to internal financial control system).
7. If necessary, the Risk Oversight Committee can provide approval recommendation on the appointment and the dismissal of Chief Risk Officer.
8. Ensure, instill, and maintain the Bank's supportive culture in relation to the risk management and the maintenance of internal controls in addition to provisions and procedures that have been set.
9. Review management letters from the Internal Audit Work Unit and external auditors, the annual report prepared by external auditors, questions asked by external auditors to the management, the management's responses which are related to risks or the Bank's internal control and delivered by Internal Audit Work Unit to the Risk Oversight Committee.
10. Request punctual responses from the management regarding significant issues related to the risk management or internal control (in addition to the financial internal control) which is stated in the management letter from external auditors and considered by the Risk Oversight Committee.
11. If necessary, review and ratify the contents of Risk Committee Report in the annual report and financial statements that will be delivered to the Board of Commissioners.
12. Review and ratify the contents pertaining to the internal control (in addition to the financial internal control) contained in the annual report and financial statement which will be delivered to the Board of Commissioners.
13. Provide reasonable further assurance to the Board of Commissioners as requested regarding the reliability of risk information which will be delivered to the Board of Commissioners.
14. Hold a meeting, at least once per year, attended by this Committee with external auditors and the Chairman of Internal Audit Unit (IAU) to ensure all issues can be resolved.
15. If necessary, review the composition, authorities, duties, and responsibilities of Audit Committee and Risk Management Committee from the Bank's subsidiaries.
16. Represent the Chairman of the Risk Oversight Committee or the Board of Commissioners to consider and perform their duties or other related topics as required by the Risk Oversight Committee or the Board of Commissioners from time to time.
17. Can appoint, hire, or maintain professional advisors if it is deemed necessary by the Risk Oversight Committee.
18. The Risk Oversight Committee must conduct an annual review on Terms of Reference and its effectivity and recommend all required changes to the Board of Commissioners.

19. The Risk Oversight Committee reports to the Board of Commissioners regarding matters written in the Terms of Reference.
20. The Risk Oversight Committee provides the Risk Oversight Committee Charter to the Group Risk Committee.

Risk Oversight Committee consists of three (3) independent members:

Chairman : Independent Commissioner

Member : Independent Party with expertise in Banking.
: Independent Party with expertise in Risk Management

Meetings

During 2018, the Risk Oversight Committee held 5 (five) committee meetings, with attendance at the meeting as follows:

No	Name	Risk Oversight Committee Meeting		
		Number of Meetings	Attendance	% Attendance
1	Hariawan Pribadi	5	5	100%
2	Yustrida Bernawati Remiasa	5	5	100%
3	Ubaidillah Nugraha	5	5	100%

Remuneration And Nomination Committee

Regulations issued by Financial Services Authority and other banking authorities stipulate that the Bank's Board of Commissioners responsible to establish Remuneration and Nomination Committee to support the Board of Commissioners in performing their duties and responsibilities. In performing their duties and responsibilities, the Remuneration and Nomination Committee is required to have internal policies, including guidelines and procedures that must be known and complied with by each member of the Committee.

Duties and Responsibilities of the Remuneration and Nomination Committee

Remuneration and Nomination Committee has following responsibilities, authorities, and policies:

1. To consider remuneration matters for the Company and its subsidiaries (if any) and to provide advice to BOC on the remuneration policy and structure relevant to the Company based on the regulatory context and market conditions;
2. To ensure that remuneration policies, practices and procedures are in line with the business strategy, objectives, values and long-term interests of the Company;
3. To ensure that personnel who provide services to the Company are remunerated in a way that supports sound and effective risk management and the long-term interests of the Company;

4. To ensure that the remuneration policy and structures as applied to the Company comply with, and are subject to review as required by, local regulations;
5. To review performance-based remuneration by reference to corporate goals and objectives resolved by the BOC from time to time, and to consider the relevant issues, if any, in agreeing remuneration funding and proposals relevant to the Company so as to complete the annual pay review process of the Company;
6. The BOC may require a separate briefing on the remuneration of specific individuals of the Company and provide their input as appropriate;
7. To discuss any significant concerns with the BOC;
8. To undertake on behalf of the President Commissioner or the BOC such other related tasks as the President Commissioner or the BOC may from time to time as deem necessary; and
9. To propose the fees for directors for approval by the BOC and the Shareholder(s) through General Meeting of Shareholders (GMS).

The Remuneration and Nomination Committee consists of:

Chairman : Independent Commissioner

Member : 1 (one) Non-Independent Commissioner

: 1 (one) Executive Officer responsible for Human Resources

During 2018 Remuneration and Nomination Committee held 4 (four) committee meetings, with attendance at the meeting as follows:

No	Name	Remuneration and Nomination Committee Meeting		
		Number of Meetings	Attendance	% Attendance
1	Hariawan Pribadi	4	4	100%
2	Mark Thomas McKeown	4	4	100%
3	Ibnu Agung Mulyanto	4	4	100%

BOARD OF DIRECTORS

Board of Directors is an organ that is fully responsible for the Bank's operational activities in accordance with the Articles of Association. The Board of Directors has collective duties and responsibilities regarding the management of the Bank to increase the added value and ensure the Bank can maintain the sustainability of its business.

Duties and Responsibilities of the Board of directors

The Board of Directors is responsible in performing its duties to achieve the Bank aims and objectives. The Board of Directors shall in good faith and with full responsibility carry out their duties, in compliance with the prevailing laws and regulations and the Articles of Association.

According to Board of Directors' Guideline and Charter, the main duties of the Board of Directors are as follows:

1. Lead, manage, and control the Bank in accordance with the Bank's objectives and strive consistently to improve the efficiency and effectiveness of the Bank.

2. Master, maintain, and manage the assets of the Bank.
3. Establish a plan to create an internal control and risk management system, to ensure the implementation of the Bank's internal audit function at all levels of management, and to follow up on the findings of the Internal Audit Unit in accordance with the annual work schedule including the annual budget of the Bank and shall be submitted to the Board of Commissioners for approval by the Board Commissioner before the commencement of the following fiscal year.

The Board of Directors is supported by the staff under him/her and the committees established by the Board of Director in implementing good GCG in the Bank's operational activities. The Board of Director supervises the implementation of GCG conducted the staff by holding periodic meetings with Credit Committee, Assets and Liabilities Committee, Risk Management Committee, Information Technology, Operational, and Services Steering Committee, Integrated Risk Management Committee, Financial Crime Risk Management Committee, People Committee, and Head of Business.

Designation	Name
President Director	Sumit Dutta
Director	Hanna Tantani *
Director	Catherinawati Hadiman Sugianto
Director	John Peter Watt Rosie
Director	Blake Digney Philip Hellam
Director	Tripudjo Putranto
Compliance Director	Yessika Effendi
Director	Caecilia Pudji Widyarti
Director	Stephen Whilton Angell**

* Term of office as Director has ended dated 30 October 2018

** Effectively appointed as Director as of 20 April 2018

Board of Directors Meeting

As of 31 December 2018, the Board of Directors has held Board of Directors Meeting 15 times. Meeting Attendance Percentage is as follows:

No	Name	Number of the Board of Directors Meeting for 2018					
		Number of Scheduled BOD Meeting	Attendance of Scheduled BOD Meeting	% Attendance of Scheduled BOD Meeting	Number of Additional BOD Meeting	Attendance of Additional BOD Meeting	% Attendance of Additional BOD Meeting
1	Sumit Dutta	12	10	83%	3	3	100%
2	Hanna Tantani*	10	9	90%	2	0	0%
3	Catherinawati Hadiman Sugianto	12	10	83%	3	3	100%
4	John Peter Watt Rosie	12	8	67%	3	1	33%
5	Blake Digney Philip Hellam	12	10	83%	3	1	33%
6	Tripudjo Putranto	12	11	92%	3	3	100%
7	Yessika Effendi	12	11	92%	3	2	67%
8	Caecilia Pudji Widyarti	12	10	83%	3	1	33%
9	Stephen Whilton Angell**	9	6	67%	3	3	100%

*) Term of office as Director has ended dated 30 October 2018
 **) Effectively appointed as Director as of 20 April 2018

Committees under the Board of Directors

In conducting their duties, the Board of Directors is assisted by 6 (six) Executive Committees, which are Credit Committee, Assets and Liabilities Committee, Risk Management Committee, Information Technology, Operational, and Services Steering Committee, Financial Crime Risk Management Committee, and People Committee.

A. Credit Committee

Credit Committee is formed to approve the proposal of loan distribution, including all processes related to the settlement process for non-performing loans.

Credit Committee Authorities and Responsibilities

Credit Committee is authorized to approve all matters related to the wholesale credit, including:

1. Approve unlimited amount of credit applications by referring to applicable provisions and governance.
2. Approve loan restructurings and reserves including the disposal of reserves, write-off, write back, etc.

The Members of Credit Committee

Credit Committee consists of:

Chairman : President Director

Member :

1. Commercial Banking Director
2. Finance Director
3. Strategy and Business Implementation Director
4. Chief Credit Approval Officer
5. Head of Business Banking Approver
6. Senior Wholesale Credit Approver
7. Head of Business Segment (BB/Corporate/ISB/GB)

Meetings

During 2018, the Credit Committee has held meetings, in relation to credit proposal approvals as well as the settlement process for non-performing loans, about 25 times, that is on 9 and 23 January, 28 March, 30 May, 28 June, 30-31 August, 5, 7, 12, 14, 19, 20, 24, 27-28 September; 25, 26, 31 October, 1, 30 November, 5, 7, 14 and 21 December.

B. Assets and Liabilities Committee (ALCO)

Assets and Liabilities Committee is a Committee under the Board of Directors that manages overall asset and liability of PT Bank HSBC Indonesia in order to maximize returns, to enhance profitability, to manage capital and funding, and to protect the Bank for any severe financial consequences arising from liquidity risk, interest rate risk, capital and funding, regulatory and market environment.

Assets and Liabilities Committee Responsibilities

1. Manage the balance sheet in order to attain an efficient allocation and maximize the utilisation of resources, improve profits by increasing the net income, promote efficiency in capital utilisation and funding by increasing gains on risk assets in the context of growth policies and review all risks and ensure that the management implements prudence principles in inputting structural interest-rate risks, structural foreign exchange risks, liquidity risks and funding risks.
2. Give directives and conduct a tactical follow-up to create balance sheet structures to achieve performance target under the established risk parameters.
3. Monitor the external environment and measure the impact on future profitability, strategies, and balance sheet factors, such as the volatility of interest rate and exchange rate, market liquidity, monetary and fiscal policies, customers' attitudes and the action of the Bank's competitors, and the impacts of changes in accounting and provisions.
4. Understand different interactions between business lines and portfolio, and issues that may affect the Bank, such as the transfer pricing, behavior patterns, and resources allocation.
5. Provide a forum to discuss issues faced by the Assets and Liabilities Committee and facilitate teamwork between different businesses/departments to resolve issues, such as transfer pricing.
6. Review all resources and fund allocation.
7. Predict the future prospects of the banking industry and the banking environment to develop assets/liabilities plan and analyse contingency scenarios.
8. Evaluate the alternatives of interest rate, prices, and portfolio combination scenarios, review the distribution of assets/liabilities and the Bank's due date and rationalisation.

The Members of Assets and Liabilities Committee

Assets and Liabilities Committee consists of:

Chairman : President Director

Secretary : ALCM

Mandatory Invitee : Corporate Secretary

Member :

1. Finance Director
2. Compliance Director
3. Commercial Banking Director
4. Retail Banking and Wealth Management Director
5. Head of Global Markets and HSS
6. Head of Global Banking
7. Risk Management Director
8. Operations & IT Director
9. Strategy & Business Implementation Director
10. Head of Asset Liability and Capital Management
11. Head of Balance Sheet Management

Meetings

During 2018 ALCO Meeting has been held 12 times that is on 23 January, 21 February, 21 March, 25 April, 23 May, 26 June, 25 July, 20 August, 25 September, 24 October, 28 November and 19 December.

C. Risk Management Committee

Risk Management Committee is established to ensure that the framework of risk management has provided adequate protection against all risks faced by the Bank.

The Purpose and the Scope of Risk Management Meeting

Risk Management Committee serves as the monitoring board that oversees the Bank's risk management and focuses on risk culture, risk appetite, risk profile, and the integration of risk management with the Bank's strategic objectives. Risk Management Committee is expected to accomplish following objectives:

1. Conduct an enterprise-wide review on the principles of the risk management policies and its framework, including but not limited to Risk Appetite Framework, Annual Risk Appetite Statements and Stress Testing Framework before delivering it to the Board of Commissioners.
2. Analyse and give recommendations to the related Director regarding risk management aspects which cover following matters:

- Review risk management policies and the changes, including risk management strategies, risk rating and risk resilience, risk management framework, and countermeasure plans to anticipate abnormal conditions.
 - Improve the process of risk management regularly and incidentally. This needs to be conducted due to internal and external changes from the Bank that affect capital adequacy, the Bank's risk profile, and the assessment of risk management that fails to be implemented effectively.
 - Determine policies and/or the deviation of business procedures, such as business expansions that exceed what is budgeted in the Bank's business plan and the risk exposure and the risk position which exceed the limit.
3. Develop the framework of risk appetite, risk map, top risks, and emerging risks.
 4. Review the credit limit before asking for approval from the Board of Directors.
 5. Review the risk exposure reports from the Risk Management Work Unit and the root of the problem.
 6. Review the management's reports regarding risks and the internal control which will be presented to the Risk Oversight Committee as a part of the implementation of their responsibilities.
 7. Understand credit risks, the dynamics of the financial statement, interactions between portfolios, and give approval on these matters.
 8. Review all risks (current risks and risks that may arise in the future) systematically, ensure that: i) there is a mechanism of initial risk identification ii) there is an adequate control to conduct mitigation and iii) profits obtained by the Bank reflect the allocation of risks and capital needed to support this matter. The risks are as follows:
 - Enterprise Risk Reports (Risk Appetite, Top & Emerging Risks, Risk Map)
 - Risk Ownership – First Line of Defence
 - Risk Stewardship – Second Line of Defence
Financial Management, Asset, Liability & Capital Management, Accounting & tax,
 - Legal, Regulatory Compliance, Financial Crime Compliance, System, Projects and Operations, Strategic Risk, People Risk, Reputational Risk – external,

Wholesale Credit Risk, Market Risk, Operational Risk, Political Risk, Physical Risk, Internal Fraud, External Fraud, Contingency Risk, Information Risk, Conduct Risk

- Internal Audit – Third Line of Defence
 - Risk Monitoring (Asset, Liability and Capital Management, Wholesale Credit Risk, Market Risk, Reputational Risk, Operational Risk, System, Projects and Operations)
9. Review the development of regulations which will be implemented and ensure appropriate measures are taken punctually to manage this development for maintenance purposes and benefit the bank.
 10. Review the results of the stress test and "Risk Appetite Statement" every quarter in accordance with the directives from shareholders and the Board of Commissioners.
 11. Risk Management Meeting can recommend or escalate:
 - Certain issues that will be discussed in the Board of Directors Meeting, or
 - Matters requiring the approval of the Board of Directors to be discussed in The Board of Directors Meeting

The Members of Risk Management Committee

Risk Management Committee consists of:

Chairman : President Director

Member :

1. Risk Management Director
2. Finance Director
3. Operations and Information Technology Director
4. Commercial Banking Director
5. Strategy and Business Implementation Director
6. Retail Banking & Wealth Management Director
7. Human Resources Director
8. Compliance Director

Meetings

During 2018, The Risk Management Committee has held meeting 11 times, on 24 January, 21 February, 21 March, 25 April, 23 May, 26 June, 25 July, 21 August, 26 September, 29 October, 3 December



D. Information Technology, Operational, and Services Steering Committee

Description

Information Technology, Operational, and Services Steering Committee is the committee that monitors the Information Technology, Operational and Services activities and giving recommendation to improve the efficiency of its operations and the quality of banking services to customers.

Authorities and responsibilities of Information Technology, Operational, and Services Steering Committee are as follows:

1. Plan the strategy of Information Technology, Operational, and Services that is in accordance with the strategic plan of the Bank's business activities.
2. Outline policies and main procedures of Information Technology, such as Information Technology security policies and risk management regarding the use of Information Technology in the Bank;
3. Determine the priority of Information Technology, Operational, and Services projects that are deemed critical and supervise the implementation of these projects;
4. Monitor risks in the Information Technology, Operational, and Services sector and reduce the impacts;
5. Monitor the performance of Information Technology, Operational, and Services that function as a catalyst in improving technology, productivity, and operational services;
6. Monitor the actual costs of the activities and the projects of Information Technology, Operational, and Services against the cost plan and the target of the Bank's financial performance.
7. Information Technology, Operational, and Services Steering Committee is involved in approving Information Technology projects.

The Members of Information Technology, Operational, and Services Steering Committee

Information Technology, Operational, and Services Steering Committee consists of:

Chairman : Director responsible for Information Technology, Operational, and Services work unit

Member :

1. President Director
2. Commercial Banking Director
3. Retail Banking & Wealth Management Director
4. Finance Director
5. Risk Management Director
6. Compliance Director
7. Human Resources Director
8. Head of Global Market and HSS
9. Head of Global Banking

Meetings

During 2018, Information Technology, Operational, and Services Steering Committee has held meetings 9 times on 24 January, 20 February, 20 March, 24 April, 22 May, 24 July, 25 September, 23 October and 19 December.

E. Financial Crime Risk Management Committee

Description

Financial Crime Risk Management Committee (FCRMC) is a formal governance committee established to ensure effective enterprise-wide management of financial crime risk within HBID and to support President Director in discharging their financial crime risk responsibilities.

Purpose and Scope

The FCRMC's authority for the management of financial crime risk matters derives from the Risk Management Committee of HBID. The scope of the FCRMC covers all business activities, products, and services in HBID and also oversight on managing FC risk on other HSBC entities in Indonesia. This includes all outsourced activities delegated to another part of the Bank or a third party as required in the OJK Regulation No. 55/POJK.03/2016 related to the Governance Implementation for Banks.

The outputs from this committee may result in actions/recommendations for Lines of Business and/or FCR teams within HBID or other HSBC entities within Indonesia as long as legally permissible, as well as recommendations for escalations to HBID RMM, as well as escalations for noting purposes to the Regional ExCo and Financial Crime Risk Management Meeting ("FCRMM") or other relevant governance committees. The committee shall review, every 12 months, its terms of reference and its own effectiveness and recommend necessary changes.

Duties

The FCRMC's accountabilities and responsibilities across HBID including where appropriate HCID and KCBA HSBC as long as legally permissible, include (but are not limited to):

1. Review, discuss, address and approve financial crime risk and issues, relating to money laundering (inclusive of tax evasion), sanctions, bribery and corruption, and fraud.
2. Review, discuss and address material reputational risks and issues (as identified by the Line of Businesses RRCSCs or by reputational risk stewards) and receive a Special Presentation on the reputational risks to the Line of Business on a quarterly basis.
3. Review, discuss and address relevant internal and external financial crime risk related reports. In particular, the Annual EWRA Country Report is to be presented, discussed and actions agreed as appropriate at HBID FCRMC.
4. Monitoring and analysing the AML, Sanctions and AB&C external regulatory environment
5. Review and discuss key Financial Crime Risk policy changes and resultant impact
6. Review, discuss and address the transformation and remediation agendas.
7. Review, discuss and address issues related to Transaction Monitoring, escalated from the HBID Transaction Monitoring Working Group.
8. Review, discuss and address issues related to Affiliates Risk Management and Client Selection and Exit Management, if required.
9. Review, discuss and address any material data matters related to financial crime risks critical data elements, covering but not limited to data quality measures and issues.
10. Promote, monitor and address the financial crime risk culture.
11. Safeguard the interests of our customers, ensuring that the meeting consistently considers the impact on the customer of every significant decision made and that decision making delivers fair outcomes for customers and maintains market integrity.
12. Information Sharing relating to Financial Crime Risks.
13. Review and discuss relevant innovative solutions for financial crime risk management.

The Members of Financial Crime Risk Management Committee

a. Chairman : President Director

b. Member :

1. Head of Financial Crime Compliance
2. Operations and Information Technology Director
3. Risk Management Director
4. Compliance Director
5. Retail Banking & Wealth Management Director
6. Commercial Banking Director
7. Head of Global Banking
8. Head of Global Markets
9. Head of Internal Audit
10. Head of GSER
11. GS Execution Lead

Meetings

During 2018, the FCRMC held 12 times meetings on 24 January, 20 February, 20 March, 24 April, 22 May, 25 June, 24 July, 20 August, 25 September, 23 October, 27 November and 18 December.

F. People Committee

Description

People Committee (PC) is formed to review and carry out people strategies, policies and initiatives in HBID, whilst in compliance to regulations set by Regulators and Government Bodies. PC is to ensure satisfaction of shareholders and to maintain consistent activities for wider employees. The PC is to support and ensure the strategic and objectives people activities, from recruitment, motivation and retention of quality employees.

The PC assists the HBID Board of Directors in reviewing and monitor significant and critical people strategies, policies and initiatives arisen, as well as came up by the shareholders for implementation in HBID based on adherence to the laws and regulations imposed in the Republic of Indonesia.

The PC drives the implementation of country-wide Human Resources plans on Resourcing, Talent & Development, Retention, Remuneration, Pay Review, Employee & Industrial Relations as well as Transformation, underpinning to the HSBC values, business principles, as well as law and regulations.

Duties and Responsibilities of Committee

1. Review and supervise the implementation of Strategi Rakyat in Indonesia.
2. Review and supervise the implementation of Global Strategi Rakyat for local adoption in Indonesia.
3. Review and monitor significant people risk metric, including Personal Conduct Case (PCC), the implementation of managing initiative actions, Global People Survey and recommended change management programs.
4. Review the implementation of HSBC Group Talent Management Strategy in Indonesia for local adaptation, including the approach and members of Local Talents.
5. Developing Succession Planning annually for the Bank's cross business lines and provide recommendation to Board of Directors (for critical executive positions) and Board of Commissioners (for Directors level position).
6. Review and monitor the progress of the President Director's scorecards achievements.
7. Review the annual update of Performance and Rewards strategy. This encompasses the metric around Performance Management, the process of Potentials Assessment, Rewards and Recognition Process as well as other recognition strategy and policy.
8. Review organizational structure changes and decision regarding relevant organizational design based on business needs.
9. Minute the meetings of Diversity Committee and review its activities.

People Committee Member

People Committee consists of:

- a. Chairman : President Director
- b. Vice Chairman : Human Resources Director
- c. Member :
 1. Retail Banking & Wealth Management Director
 2. Commercial Banking Director
 3. Operations and Information Technology Director
 4. Risk Management Director
 5. Strategy and Business Implementation Director
 6. Finance Director
 7. Compliance Director
 8. Head of Global Banking
 9. Head of Global Markets & HSBC Securities Services
 10. Head of Communication
 11. SVP HR Talent and Development

Meetings

During 2018, People Committee meeting had been held for 12 (twelve) times:

- 23 January 2018
- 20 February 2018
- 20 March 2018
- 24 April 2018
- 22 May 2018
- 25 June 2018
- 24 July 2018
- 20 August 2018
- 26 September 2018
- 23 October 2018
- 27 November 2018
- 18 December 2018

The Implementation of Financial Conglomerates

In order to improve the infrastructures of HSBC Financial Conglomerates in Indonesia, the Bank is assigned by controlling shareholders as the Main Entity along with two Financial Services Institutions (LJK), which are PT HSBC Sekuritas Indonesia and Foreign Bank Branch of the Hongkong and Shanghai Banking Corporation Limited as sister companies that become the member of Financial Conglomerates. In order to comply Regulation of the Financial Services Authority (POJK) No.17/POJK.03/2014 on Implementation of Integrated Risk Management for Financial Conglomerates and Regulation of the Financial Services Authority No.18/POJK.03/2014 on Implementation of Integrated Governance for Financial Conglomerates, the Bank, as the Main Entity, always perform its duties and responsibilities well in accordance with the Regulation of the Financial Services Authority As the Main Entity, the Bank has established Integrated Governance Committee and Integrated Risk Management Committee.

A. Integrated Corporate Governance Committee

Integrated Corporate Governance Committee is established based on the Resolution of the Board of Commissioners Meeting which assigns the Bank as the Main Entity. Integrated Corporate Governance Committee acts independently in performing their duties and reporting. Integrated Corporate Governance Committee is responsible to the Board of Commissioners of the Main Entity.

Duties and Responsibilities of Integrated Corporate Governance Committee

- 1) Evaluate the implementation of Integrated Governance at least by assessing the adequacy of internal control and the implementation of integrated compliance function; and
- 2) Give recommendations to The Board of Commissioners of the Main Entity regarding the improvement of Integrated Governance Guideline.
- 3) Integrated Governance Committee shall work collectively through video conference.
- 4) The meeting results of the integrated Governance Committee shall be well documented in the minutes of meetings.
- 5) All dissenting opinions in the meeting of Integrated Governance Committee shall be well documented with clear reasons in the minute of meetings.

The Members of Integrated Governance Committee

Integrated Governance Committee consists of:

Chairman: The Bank's Independent Commissioner (also serves as the Chairman of the Bank's Risk Oversight Committee)

Member : 1 (one) Independent Non-Executive

Commissioner– PT HSBC Sekuritas Indonesia

: 1 (one) External Independent Party (member of Risk Oversight Committee -The Bank)

Meetings:

During 2018, The Integrated Governance Committee has held meetings 2 times, on 6 February 2018 and 7 August 2018.

B. Integrated Risk Management Committee

Description

Integrated Risk Management Committee is established to provide recommendations about integrated risk management policies to the Board of Directors of the Main Entity

Integrated Risk Management Committee has authorities and responsibilities as follows:

1. To formulate the policies of Integrated Risk Management; and
2. To improve Integrated Risk Management policies based on the evaluation results.

Principal Tasks of Integrated Risk Management Committee Member:

- a. Provide suggestions to Integrated Risk Management Committee in a form of topics and meeting materials which will be discussed in the meeting of Integrated Risk Management Committee.
- b. Provide suggestions in a form of information and analysis regarding the topics that will be discussed in the meeting of Integrated Risk Management Committee.

Topics which can be discussed in the meeting of Integrated Risk Management Committee are as follows:

- a. Directives and targets of the Company in formulating the policies, strategies, and guidelines for integrated risk management implementation and the changes if necessary.
- b. Assessment of the effectivity of integrated risk management framework implementation.
- c. Development and tendency of integrated risk exposure and the levels of risk appetite and risk tolerance.
- d. Results of the study of total integrated risk exposure and its impacts.
- e. Assessment of the Bank's capital adequacy in facing the risk of loss incurred by utilizing various stress testing scenarios. Suggestions for the development of risk measurement methods, contingency plans with the worst-case scenario, and other methods related to the integrated risk management.
- f. Matters related to irregularities in business decisions which need justification.
- g. Limits of authority, exposure, credit portfolio concentration or other parameters aimed to limit risks.
- h. Improvement of integrated risk management implementation which is conducted periodically or incidentally due to changes in internal and external conditions that affect the capital adequacy and risk profile, and result in the ineffectiveness of the implementation of integrated risk management based on evaluation results.

Integrated Risk Management Committee consists of:

Chairman : Risk Management Director

Member :

- Finance Director
- Compliance Director
- Director / the appointed representative from HCID
- Director / the appointed representative from KCBA HSBC

Meetings

During 2018, The Integrated Risk Management Committee has held meetings 2 times, on 6 March 2018 and 28 November 2018.

Integrated Corporate Governance Implementation

The Implementation of Integrated Corporate Governance in the Bank Financial Conglomerate is conducted through the comprehensive formulation and execution of Integrated Corporate Governance. In implementing Integrated Corporate Governance, the Main Entity cooperates with each Financial Services Institutions to ensure that the implementation of management function is performed well by the Main Entity Director and Financial Services Institutions and in accordance with Integrated Governance Guidelines. This is also conducted to ensure that the Main Entity Board of Commissioners and Financial Services Institutions can perform their monitoring function effectively.

Based on self-assessments conducted in 2018, the implementation of Integrated Corporate Governance by the Bank Financial Conglomerate ranked second or attained the "Good" category.

CORPORATE SECRETARY

Corporate Secretary Profile

The Bank's Corporate Secretary position is held by Uliya Ariani, Indonesian citizen. She has served as the Bank's Corporate Secretary since August 2017. She obtained her Bachelor's Degree in Law from University of Indonesia. She started her career as Legal Counsel in 2000. She started pursuing career in the Banking Industry at PT Bank OCBC NISP Tbk, in 2003 and has held various position among others as Corporate Legal Head, as Corporate Secretary in 2008 to 2013 and as Executive Assistant to the Board of Commissioners in late 2013 to 2015. She also held position as Corporate Secretary and Corporate Legal Division Head in PT Bank QNB Indonesia Tbk in early 2013 and also held position as Corporate Secretary and Corporate Legal Division Head at PT Bank Mayora in January 2016 until July 2017.

The Corporate Secretary has responsibilities to disclose all accurate information regarding the Bank to stakeholders in time. The announcement regarding the Bank's condition and performance are conducted in accordance with applicable provisions the Bank's Articles of Association.

The Corporate Secretary's functions and responsibilities are assisting the Board of Commissioners and the Board of Directors in implementing Good Corporate Governance, which covers:

- a. Provide advice to the Bank's Board of Commissioners and Board of Directors through the President Director and/or President Commissioner regarding Good Corporate Governance.
- b. Support the Board of Commissioners. The Committees under the Board of Commissioners, and the Board of Directors regarding Good Corporate Governance and capital market provisions if necessary.
- c. Understand and address the changes in Indonesia laws related to Good Corporate Governance and duties of corporate secretary.

COMPLIANCE FUNCTION

In organization structure of HBID, Compliance Unit comprises of Regulatory Compliance (RC), Financial Crime Compliance (FCC), and Business Management. RC is the risk steward of regulatory risk for HBID. RC support all areas in HBID – all Business and Functions - and help to identify and manage RC risks, by providing independent and objective oversight, challenge and support. RC provides advice, guidance, direction to assist the Business and Function ensuring that they adhere to the relevant laws and regulations. FCC is a special work unit which is responsible to implement Anti Money Laundering, Sanctions and Anti-Bribery and Corruption programs and improve the implementation process. Business Management supports the overall Compliance Unit, on budgeting, information management and translation. Compliance Unit sits under the Director who is responsible for Compliance and reports directly to the President Director.

The Board of Directors should ensure the implementation of Compliance Culture in each and all of the organization level in the Bank, business activities and also the Bank's Compliance Function. The Compliance Director, with assistance from Compliance Unit, conducts following steps:

a. Fostering the Compliance Culture in HBID:

- Conduct Compliance Unit, which is part of Compliance Unit, functions to oversee Conduct Compliance implemented by HBID to oversee conduct compliance. Conduct Compliance periodically takes initiatives to increase business conduct awareness, e.g. regular dissemination at Discovery Events to new hires and 'high risk' staff conduct compliance roles.
- Deliver information and material on regulatory provisions
- Deliver information on new provisions to the Bank's Management
- Conduct the compliance review or monitoring carried out by Compliance Unit
- Supervise the implementation of Prudential Banking Principle
- Supervise the Business Plan Achievement Realization 2018

b. Manage Compliance Risk - Compliance Risk refers to the risks of not complying with the applicable provisions and laws. The Bank has the zero-tolerance policy on the violation or the failure to comply with applicable provisions. In order to support the implementation of the compliance culture in the Bank, Compliance Unit in cooperation with the respective Business or Function to review on the fulfilment of the new regulations, perform gap analysis, set target implementation, and ensuring the implementation takes place. Ensure all policies, provisions, systems, and procedures of the Bank's activities conducted by the Bank are in accordance with the provisions of Financial Services Authority, Bank Indonesia, and applicable laws.

c. Maintain the Bank's compliance with the commitment between the Bank, Financial Services Authority, Bank Indonesia, and other supervisory authorities. Supervise the follow-up of audit findings and monitors the follow-up of the settlement of these commitments.

In order to supervise and maintain the compliance of the Bank's business activities with applicable provisions, the Bank has conducted following steps:

- a. Consistently assess the implementation of the principles of prudence in providing loans to Large Debtors and related parties by utilizing Compliance Checklist in order to prevent violations of the regulations of Legal Lending Limit (LLL), Anti Money Laundering (AML), and other provisions.
- b. Compliance Director sits as member of the Audit Committee meeting, Risk Monitoring Committee meeting, Assets and Liabilities Committee meeting, Risk Management Committee meeting, and Information Technology, Operational, and Services Steering Committee meeting.
- c. Compliance Director supervises findings from Bank Indonesia, Financial Services Authority and The Financial Transaction Reports and Analysis Center (PPATK) inspection and ensures the follow-up of the Bank's commitment over these findings.

In order to meet applicable requirements and mitigate potential compliance, regulatory, and reputational risks associated with violations of Anti-Money Laundering, Counter Terrorist Financing, and Proliferation Financing regulations, HBID established a AML Policy, which is aligned with the applicable regulations by Financial Services Authority, Bank Indonesia, and applicable laws. In addition to adopting applicable regulations based on local regulations, the Bank also adopts regulations based on the HSBC Group's Global Standards with as long as there is no contradiction with local regulations. Based on the latest adoption of global standards, the updated revision on AML policy has been issued through the Decree of Board of Directors No.020/SK/DIR/X/2018 dated 19 October 2018 on The Revision of Anti Money Laundering Implementation Policy.

Compliance with this Policy and other related guidelines is required to ensure the Bank comply with laws and regulations on Anti-Money Laundering, maintain the effectiveness and safeguarding of the AML Program and manage AML risks well. All of the Bank's employees are expected to comply with this Policy, laws, applicable AML regulations and provisions in Indonesia. Therefore, training and human resources programs, especially those related to the AML, are held continuously

for new employees or those with high exposure to the implementation of AML in their duties and responsibilities.

In relation to the supervision of integrated governance, HBID is assigned as the main entity by the financial conglomerate HSBC Indonesia, the Bank's Compliance Unit establishes the Integrated Compliance Unit to ensure the compliance function can be implemented well by the Bank and other members of the conglomerate, which are KCBA HSBC, that is in the middle of closure process, and PT HSBC Sekuritas Indonesia.

LEGAL ISSUES

As at 31 December 2018, there are 6 (Six) cases that involve the Bank, in which 4 (four) cases are currently in process at the District Court level, while 2 (two) cases are still waiting for copy decision, that is 1 (one) from District Court and 1 (one) from High Court.

AFFILIATE RELATIONSHIPS

Information related to the Affiliated Relationships between the Board of Directors, the Board of Commissioners, and Shareholders of the Bank are as follows:

Nama	Amount received during the year 2018					
	Board of Commissioners		Board of Directors		Shareholders	
	Yes	No	Yes	No	Yes	No
Matthew Kneeland Lobner	-	√	-	√	√	-
Hanny Wurangian	-	√	-	√	-	√
Hariawan Pribadi	-	√	-	√	-	√
Umar Juoro	-	√	-	√	-	√
Mark Thomas Mckeown	-	√	-	√	√	-
Sumit Dutta	-	√	-	√	-	√
John Peter Watt Rosie	-	√	-	√	√	-
Blake Digney Philip Hellam	-	√	-	√	√	-
Catherinawati Hadiman Sugianto	-	√	-	√	-	√
Caecilia Pudji Widyarti	-	√	-	√	-	√
Tripudjo Putranto	-	√	-	√	-	√
Stephen Whilton Angell	-	√	-	√	√	-
Yessika Effendi	-	√	-	√	-	√

SELF-ASSESSMENT

The Bank's management conducts self-assessment periodically on the compliance of Good Corporate Governance principles. The results will be submitted to Financial Services Authority. Recent assessment shows that the Bank ranking is "2", meaning that the Bank's soundness level is Good.

SHARE OPTIONS

The Bank didn't have share options program throughout 2018. In 2018, the Bank did not have plans to introduce share option schemes based on the Bank's shares to the Board of Commissioners, the Board of Directors, and Executive Officer.

SHARE OWNERSHIP OF THE BOARD OF COMMISSIONERS AND THE BOARD OF DIRECTORS

No members of the Board of Commissioners and the Board of Directors, as an individual or a collective, owns shares of the Bank of 5% (five percent) or more from the capital deposited by the Bank.

INTERNAL AUDIT WORK UNIT

The Bank SKAI is an integral part of the Bank's governance and control framework. The main task of SKAI is to assist the Board of Commissioners and Executive Management in securing the organization's assets, reputation, and sustainability. The SKAI provides independent and objective test of the adequacy of the design and implementation of risk management, risk control, and governance processes, as designed and represented by management.

In the context of the risk management framework, SKAI Bank acts as the Third Line of Defense and acts as a function independent of the First Line of Defense and Second Lines of Defense. As part of the implementation of Good Corporate Governance, SKAI Heads and senior officials attend strategic meetings, such as Board of Directors Meetings, Risk Management Meeting (RMM) meetings to obtain up-to-date information on issues arising and strategic development of the Bank.

The Bank SKAI submits the objective and independent audit results regarding to business activities and supporting functions to the management. If requested, SKAI may advise senior management on bank operations. The SKAI shall undertake an assessment by applying a risk-based approach, on the adequacy and operational effectiveness of the risk management framework, internal control, and governance, as designed and implemented by management. As part of this assessment, the Bank SKAI should consider whether the results achieved through the implementation of these policies and processes are in compliance with the objectives, risk tolerance, and organizational values.

EXTERNAL AUDIT

The Bank establishes transparent cooperation with Public Accounting Firm and requests professional advice from them to ensure that the Bank has met the accounting standard. Based on power and authority granted by General Meeting of Shareholders to assigned Public Accounting Firm registered in OJK, the Board of Commissioners has assigned Tanudiredja, Wibisana, Rintis & Rekan as the Bank's independent Public Accounting Firm that audits the Bank's Annual Report for 2018.

THE IMPLEMENTATION OF RISK MANAGEMENT

The Bank gives special attention to Risk Management in meeting the requirements of Risk Management as stated in the Regulations of the Financial Services Authority No.18/POJK.03/2016 on the Risk Management Implementation for Public Bank and taking into account the recommendations of the Basel Committee on Banking Supervision.

In line with this regulation, the Bank has implemented Risk Management policies aimed to ensure that the risks arising from business activities can be identified, measured, managed, and reported. As a result, the Bank is expected to conduct its business activities with a better performance. The implementation of risk management could provide a more accurate overview of the Bank's performance in the future, including the possibility of potential losses, and improve the method and the process of decision-making and risk assessment due to the availability of current information, which could improve the Bank's competitiveness and performance.

The Bank continues to develop and improve the system of Risk Management by upgrading the Management Information System (MIS) in order to anticipate risks earlier and implement necessary steps to minimize the impacts of the risk. Therefore, the process of risk management in identifying, measuring, supervising, and controlling risk can be conducted consistently. Expanding the framework of risk management is conducted by establishing Risk Management Working Unit.

Currently Risk Management Work Unit has ensured that the process of Risk Management implementation is working without any difficulty and provided the overview of risk profile to the management.

Responsibilities of Risk Management Working Unit are as follows:

- Oversee the implementation of Risk Management strategies that have been approved by the Board of Directors;
- Oversee the overall Risk position (composite), per type of risk, and per type of functional activities of the Bank and conducts stress testing;
- Review the process of Risk Management periodically;

- Review activity suggestions and/or new products;
- Provide recommendations to the risk-taking unit and/or Risk Management Committee in accordance with their authorities; and
- Formulate and submit periodically the reports of risk profile to the President Director or a director who is assigned specifically and Risk Management Committee.

As part of the active supervision of the Board of Commissioners and the Board of Directors regarding the implementation of the Bank's Risk Management policies, the Risk Management Committee has been established that is independent of operational activities and is responsible to the Board of Directors, and established the Risk Oversight Committee which is responsible for assisting the Board of Commissioners' supervisory functions.

Risk Profile

Overall, the Bank's risk rating per position 31 December 2018 is at Rank 2.

Risk Management Certification

The Bank's officials and employees have attended Risk Management Certification periodically. During 2018, the total number of officials and employees who have attended Management Risk Certification examination is 386 participants, which is 17% higher than last year.

Risk Management Process

The implementation of risk management at the Bank is conducted with provision of Financial Services Authority. Risk Management Unit has identified eight key risks faced by all divisions: liquidity risk, reputation, law, strategic, compliance, market, operations and credit.

FUND PROVISION TO RELATED PARTY AND LARGE EXPOSURE

The following table shows Fund Provision to Related Party and Large Exposure as of 31 December 2018.

No	Fund Provision	Amount	
		Debtors	Nominal Rp Billion
1	To Affiliated ^{*)}	76	9,365
2	To Core Debtors		
	1. Individual	8	7,466
	2. Group	17	21,175

^{*)} Including fund provision to prime bank related parties

REMUNERATION DISCLOSURES

Remuneration and Nomination Committee

Member name, composition, duties and responsibilities of the Remuneration and Nomination Committee

Member name, composition, duties and responsibilities, and number of meetings of the Remuneration and Nomination Committee can be seen on page 158.

Remuneration paid to the Remuneration and Nomination Committee members for 1 (one) year

No remuneration is paid to members of the Remuneration and Nomination Committee other than the monthly payments as Independent Commissioner or Executive Officer.

Remuneration policy formulation

The objective of the remuneration policy is to ensure that remuneration is in accordance with the prevailing regulations, fairness among the peer groups in the Bank and in the banking industry, supporting the achievement of Bank's strategic objectives by balancing rewards for short-term and long-term sustainable performance, and attract and motivate the best talents regardless of gender, ethnicity, age, or disability, hence performing their roles in the long-term interests of the Bank

Remuneration is reviewed annually as a part of pay review process, including a review conducted for the Remuneration of the Board of Commissioners, Board of Directors, and employees. The policy is conducted regularly, including the fixed and variable Remuneration. These reviews take into consideration the Bank's financial performance, individual performance, relativity with peer group in the Bank and external market, as well as adherence to the regulations (for example, the minimum wage and labour laws).

Remuneration principles

The remuneration strategy is based on the following principles:

- Focusing on total compensation with a strong link between pay and performance.
- An alignment to performance at all levels, taking into account both 'what' has been achieved and 'how' it has been achieved, in line with the HSBC Values.
- Operate a thorough performance management and HSBC Values assessment process.
- Recognise and reward our employees for outstanding positive behaviours.
- Apply our employee recognition and conduct framework to strengthen the alignment between risk and reward across the Bank.
- Compliance with relevant regulation across all of our countries and territories.

Embedding our values in our remuneration framework

Instilling the right behaviour and driving and encouraging actions that are aligned to organisational values and expectations are essential. We therefore have a number of mechanisms to reinforce our values.

Mechanism	Outcomes
Behavioural rating for all employees	Employees receive a behaviour rating based on their adherence to HSBC Values to ensure performance is judged not only on what is achieved, but also on how it is achieved.
Performance management	<ul style="list-style-type: none"> - Performance objectives define what our employees need to achieve, how, and when, in line with business and role priorities. Objectives are initially created by our employees at the start of the year. Objectives are then tracked and updated by employees throughout the year as priorities change. - Performance management for all our employees is underpinned by our 'Everyday Performance and Development' programme. This approach involves frequent, holistic, and meaningful conversations throughout the year between a manager and an employee. The conversations provide an opportunity to discuss progress, provide feedback and recognise behaviours, identify any support that may be needed, and address any issues that could be affecting the employee's sense of well-being.
Conduct recognition	<ul style="list-style-type: none"> - The employee recognition and conduct framework provides a set of guidelines designed to reward exceptional conduct and handle any conduct breaches consistently across the Bank. - Rewarding positive conduct may take the form of using our Recognition Programme 'At Our Best', or via positive adjustments to performance and behaviour ratings and variable pay. - The framework also provides guidance on applying negative adjustments to performance and behaviour ratings and to variable pay, alongside disciplinary sanctions, where conduct breaches have been identified.

Remuneration policy scope and implementation

The remuneration policy applies to all employees across all business units and functions; and we ensure the policy is implemented fairly, appropriately, and free from bias.

Remuneration Related to Risk

The Bank has implemented the alignment of risk and reward, and embedding HSBC's conduct and values expectations through a number of reward policies and programmes, as follows:

- Mandatory risk and Financial Crime Risk (FCR) objectives are included in all employees' scorecards.
- Recognition and conduct framework for managing employee conduct which focuses on both incentivising positive conduct and discouraging poor conduct; rebranded in 2018 to cover both positive and negative conduct with aim to achieve better balance.
- Reportable incidents and notable/significant events were identified and reviewed by the Remuneration and Nomination Committee.
- Material Risk Takers (MRTs) 2018 identified with qualitative and quantitative methodology set by the Bank based on prudential principles and a portion of variable remuneration will be deferred up to 3 years.
- Malus and Clawback of unvested deferred variable remuneration applies to Identified Staff and MRTs allows for the recovery of vested and paid awards.

Performance assessment

The focus on Bankwide performance management is moving away from traditional cycle-based performance management towards a culture of Everyday Performance and Development (EPD) by having frequent and regular conversations between employee and managers.

In managing employee recognition and personal conduct breaches, managers are able to make positive or negative adjustments to variable pay (in addition to any normal year-on-year change related to performance management) to reflect conduct.

The performance evaluation to the members of the Board of Directors is performed by the Remuneration and Nomination

Committee based on suggestion from the President Director. The results of the performance evaluation will guide the determination of remuneration and nomination of the respective Directors, reported to the Board of Commissioners and the shareholders at the AGMS.

Adjustment of the Remuneration associated with performance and risk

In line with the implementation of risk-based remuneration, as stipulated in POJK No. 45/POJK.03/2015, concerning the implementation of governance in the provision of remuneration for commercial banks, the Bank has implemented remuneration policy based on prudential principles with detail as follows:

- For Material Risk Takers (MRTs), their portion of variable remuneration will be deferred up to 60% (50% cash and 50% shares) of their total awards, provided in 3 years time.
- For employees excluding MRTs, a portion of their variable remuneration will be deferred starting from 10% if their total awards exceeding the amount of equivalent to USD 75,000, provided in 3 years time.
- Malus and Clawback applies to all awards made to Identified Staff and Material Risk Takers" (MRTs).

External Consultants

The Bank has engaged Willis Towers Watson and Aon Hewitt McLagan to obtain remuneration data from the banking industry. In 2018, external consultants were also tasked to provide market information on the remuneration for top executives based on our selected peer group, which includes fixed and variable compensation as well as benefits position.

Remuneration package and facilities received by the Board of Directors, and the Board of Commissioners

The policy package received by the Bank's management is as follows:

- Remuneration: Salary, Bonus and fixed allowances.
- Other facilities: company car and its maintenance, medical expenses reimbursement, medical check-up, club membership, etc.

Disclosure of the above Remuneration package policy determined in the General Meeting of Shareholders



The types of Remuneration and Facilities for the Board of Directors and Board of Commissioners of the Bank

Type of Remuneration and Facilities		Amount received in 1 year			
		Board of Directors		Board of Commissioners	
		Number of individuals	Rp Million	Number of individuals	Rp Million
1	Remuneration (salary, bonus, routine allowances, tantiem, and other facilities in the form of non-natura)	8	53,602	3	5,104
2	Other facilities in the form of natura (housing, transportation, health insurance, etc.)	8	9,300	3	211
TOTAL		8	62,902	3	5,315

The total members of the Board of Directors / the Board of Commissioners of the Bank who receives the remuneration package in one year classified into the range of income level

Total Remuneration per individual in 1 year	Number of the Board of Directors	Number of the Board of Commissioners
Above Rp2 billion	8	-
Above Rp1 billion up to Rp2 billion	-	3
Above Rp500 million up to Rp1 billion	-	-
Below Rp500 million	-	-

Variable Remuneration

Variable remuneration comprises of bonuses and incentives are awarded to drive and reward performance based on financial and non-financial measures consistent with the medium to long-term strategy, shareholder interests, and adherence to HSBC values. Awards vary with performance achievement and Bank hold the full discretion to assess the extent to which performance has been achieved.

Awards can be in the form of cash and/or shares. A portion of the the annual award may be deferred and vested over a period of three years.

Number of Directors, Commissioners, and Employee receiving Variable Remuneration in 1 (one) year

Variable Remuneration	Total Receive in 1 Year					
	Board of Directors		Board of Commissioners		Employees	
	Number of individuals	Rp Million	Number of individuals	Rp Million	Number of individuals	Rp Million
TOTAL	8	15,707	-	-	4,343	285,593

Positions of Material Risk Takers

The Material Risk Takers positions that are identified in 2018 are based on quantitative and qualitative criteria consist of 5 (five) individuals, as follows:

- President Director
- Risk Management Director
- Head of Global Market and HSS
- Commercial Banking Director
- Retail Banking and Wealth Management Director

Ratio of highest and lowest salary

Remarks	Ratio
Ratio of highest and lowest employee salary	148.88 : 1
Ratio of highest and lowest of Director salary	3.47 : 1
Ratio of highest and lowest Commissioner Honorarium	1.07 : 1
Ratio of highest Director salary and highest employee salary	1.22 : 1

Amount of Variable Remuneration Guaranteed Without Condition

Variable Remuneration Guaranteed without Condition	Total Receive in 1 Year					
	Board of Directors		Board of Commissioners		Employees	
	Number of individuals	Rp Million	Number of individuals	Rp Million	Number of individuals	Rp Million
TOTAL	-	-	-	-	11	5,262

Number of Terminated Employees and Total Nominal of Severance Paid

14 individuals employment were terminated with total severance pay of Rp8,166 million in accordance with the criteria set forth in the Otoritas Jasa Keuangan Regulation No. 45/POJK.03/2015 regarding Good Corporate Governance Implementation in Providing Remuneration for Commercial Banks.

Nominal of Severance paid per employee during 1 year	Number of Employees
Above Rp1 billion	2
Above Rp500 million up to Rp1 billion	2
Below Rp500 million	10
TOTAL	14

Total amount of Deferred Variable Remuneration paid in 1 (one) year

There was no deferred variable remuneration paid in 1 (one) year.

Deferred Variable Remuneration

	2018	2017
Deferred Variable Remuneration (in Million Rupiah)	29,172	13,763

Details total Remuneration provided in 1 (one) year for MRT

	2018	
A. Fixed Remuneration (in Million Rupiah)		
1. Cash	32,068	
2. Shares or share-based instruments	-	
	Non-deferred	Deferred
B. Variable Remuneration (in Million Rupiah)		
1. Cash	8,294	4,315
2. Shares or share-based instruments	6,108	4,072

Quantitative information about variable Remuneration for MRT

Type of Variable Remuneration	Deferred amount	Total Adjustment During the Reporting Period		
		Explicit Adjustment (A)	Implicit Adjustment (B)	Total (A) + (B)
1 Cash (in Million Rupiah)	4,315	-	-	-
2 Shares or share-based instruments	4,702	-	-	-
Total (in Million Rupiah)	9,017	-	-	-

INTERNAL FRAUD

During 2018, there were no internal fraud cases committed by management, permanent, and non-permanent employees in relation to the Bank's business processes and operations with financial impacts higher than Rp100,000,000.

CUSTOMER COMPLAINT HANDLING

The Bank has a system called CMS (Complaint Management System) that records and handles customer complaints, to ensure complaints received are well managed in line with prevailing regulations with expectation to improve customer satisfaction to the Bank's products and services as well as to manage the reputational risk related to the complaints.

In 2018, the Bank has received a total of 16,865 complaints. Of which most complaints received are related to the payment system of credit cards and ATM.

As at 31 December 2018, 97.84% of total complaint received had been resolved by the Bank, whilst the remaining 2.16% were still in the resolution process.

Customer Complaint Handling

Period January - December 2018

No	Types of Financial Transaction	Completed		In Process *		Non completed		Total Complaints
		Total	%	Total	%	Total	%	
1	Fund gathering - Savings	11	100.00%	-	0.00%	-	0.00%	11
2	Fund gathering - Others	37	100.00%	-	0.00%	-	0.00%	37
3	Fund provision – Credit/ Consumption (other than credit card)	231	97.88%	5	2.12%	-	0.00%	236
4	Fund provision - interbank	5	100.00%	-	0.00%	-	0.00%	5
5	Fund provision - others	1	100.00%	-	0.00%	-	0.00%	1
6	Payment System – ATM and/or Debit cards	1,293	97.29%	36	2.71%	-	0.00%	1,329
7	Payment System – Credit Cards	10,732	97.80%	241	2.20%	-	0.00%	10,973
8	Payment System - Clearing	8	100.00%	-	0.00%	-	0.00%	8
9	Payment System - RTGS	3	100.00%	-	0.00%	-	0.00%	3
10	Payment System – Electronic Banking	198	99.00%	2	1.00%	-	0.00%	200
11	Payment System - Remittance	21	100.00%	-	0.00%	-	0.00%	21
12	Payment System - Others	161	100.00%	-	0.00%	-	0.00%	161
13	Joint products - Bancassurance	1	100.00%	-	0.00%	-	0.00%	1
14	Joint products - others	55	100.00%	-	0.00%	-	0.00%	55
15	Other product – Trade Finance	1	100.00%	-	0.00%	-	0.00%	1
16	Other Product – Wealth Management	18	100.00%	-	0.00%	-	0.00%	18
17	Other Product - others	3,725	97.90%	80	2.10%	-	0.00%	3,805
TOTAL		16,501	97.84%	364	2.16%	-	0.00%	16,865

* Data is as at 31 December 2018. At the time of publication, these customer complaints have been settled within the OJK requirement.





A group of children, likely in a school or community setting, are wearing white uniforms and red hats. They are standing outdoors near a river or stream. The image is overlaid with a red semi-transparent banner containing the text "Corporate Social Responsibility".

Corporate Social Responsibility

SUSTAINABILITY

The Bank implements sustainability principle in its business operations. For the Bank, sustainability means building long-term business by balancing social, environmental, and economic considerations in all decision making. This strategy is what has enabled PT Bank HSBC Indonesia to grow sustainably and in a commercially viable manner.

The Bank continues contributing to Indonesia's sustainable development through various community programmes in education, wildlife preservation, environmental conservation, and social welfare.

To ensure that the Bank's programmes are appropriately targeted, the Bank cooperates with local partners who have a direct access to the communities in the areas surrounding the Bank's operations. The Bank hopes that these programmes can improve community welfare and encourage sustainable economic development throughout Indonesia.

To ensure appropriate implementation, the Bank continually monitors the results of each of its community programmes. This is also done to ensure a positive long-term impact for the beneficiaries. The Bank also continues to develop and maintain good relationships with various parties such as partners, supervisors, government officials, communities, and the media by providing mutual opportunities to engage in the implementation of such community programmes.

The programmes that were implemented in 2018 include:

Education

In 2018, the Bank implemented educational community programmes for different social groups, covering financial and business literacy as well as global skills.

The Bank's financial and business literacy education programme is in line with the direction of the Financial Services Authority, as stated in the Indonesian National Financial Literacy Blueprint. This program aims to improve the public's understanding of financial products and services. Through business-focused education, students and other participants are introduced to the business world via the HSBC Business Case Competition, which aims to improve students' analytical capacity and business intuition.

The financial and business literacy education programme targets students from elementary schools, high schools, and colleges, as well as teachers and lecturers, housewives with household-scale businesses, and the general public. The programme covers various cities in Java, Sumatra, Kalimantan, Sulawesi, East Nusa Tenggara, and Bali.

As for the global skills education programme, the Bank, in 2018, conducted activities in 10 high schools of SMA/SMK in Jakarta, which were attended by principals, teachers, and students. This global skills education sessions introduced the Core Skills concept, known as 21st Century Skills, to help people prepare for the changing world of work by supporting employment-related skill development and strengthening students' skills to improve their job prospects.

Environment

The Bank continues to actively participate in environmental conservation. In 2018, the Bank held a series of sustainable environmental conservation programmes in Sumatra, Java, and Kalimantan.

These sustainable programmes included water conservation in Rimbang Blaing, Koto Panjang, Riau, Bogor, and Jakarta; a sustainable palm oil farming programme in West Kalimantan; as well as environmental education programmes targeting communities, teachers, and elementary students that also included natural resource protection, environmental conservation management, and behavioural changes.

These sustainable programmes aim to make a significant contribution to the preservation of the environment as a vital resource for business sustainability in various economic sectors. Other objectives include minimising the impact of environmental pollution, as this may disrupt the rate of economic growth and long-term prosperity due to the declining quality of various goods.

Social Welfare and Disaster Relief

The Bank is committed to supporting inclusive growth that is capable of realising the society's potential in economic and social development. This community empowerment programme aims to encourage community groups to become more independent, as well as to foster a better quality of life.



The programme focuses on providing new skills and access to information in order to create new opportunities to participate in the life of the wider community.

In 2018, the Bank conducted the Desa Berdaya programme, a village community empowerment programme to improve community welfare based on local wisdom. The Desa Berdaya programme covers four aspects: economic resilience, health, education, and the environment. The programme has been implemented in seven areas across Indonesia, including: Jakarta, Makassar, Medan, Pontianak, Surabaya, Bantul, and Bandung.

The Bank also supported a number of communities recovering from recent disasters in Indonesia, such as in Lombok in NTB and Central Sulawesi, which experienced earthquakes and tsunami. The support included food and medication donations, as well as provision of temporary shelters schools for children.

PLAN, FOCUS, AND PROGRAMMES IN 2019

In 2019, the Bank re-affirmed its commitment to the implementation of sustainability programmes in Indonesia, which are expected to encourage sustainable economic growth. Top priority for sustainability programme implementation in 2019 includes:

Overall objective:

Supporting sustainable growth in a global economy

Three specific priorities:

1. Providing young people with the skills to succeed in a global economy.
 - Financial literacy: Educating young people about the world of business and financial management.
 - Employability: Helping future generations develop skills and capabilities to succeed in a global economy.
2. Fostering new businesses development and sustainable international growth.
 - Entrepreneurships: Supporting young businesses with training and financial assistance.
 - Sustainable supply chains: Helping customers establish international trade and business activities, and improving the quality of their supply chains.
3. Supporting the transition to a low carbon economy.
 - Sustainable finance: Investing in sustainable economic growth and helping our clients manage the transition risk.
 - HSBC carbon footprint: Reducing HSBC's direct impact on the environment.

Each of the Bank's three priorities will be supported by a mix of commercial activity, partnerships, community investments, and employee engagement. It is the Bank's goal to continue being recognised as a leading institution for conducting and promoting sustainable business.



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UNTUNGNYA
MAKSIMAL

TAMBAH
UNTUNG
MAKSIMAL
REBAS INAT

Corporate Data

HSBC 

ExpressBanking

ATM

ATM

SENIOR EXECUTIVE PROFILE

Ali Setiawan

Head of Global Markets & HSS

He has served as Head of Global Markets & HSS PT Bank HSBC Indonesia since 17 April 2017. He obtained Master of Commerce in Economic & Finance, and Bachelor's Degree in Accountancy and Finance, from Curtin University of Technology, Perth, Australia.

Riko Adyithia

Head of Global Banking

He has served as Head of Global Banking PT Bank HSBC Indonesia since 8 August 2018. He obtained Master of Business Administration from University of Chicago, United States of America.

Daisy Kusniah Primayanti

Head of Communications

She has served as Head of Communications PT Bank HSBC Indonesia since 17 April 2017. She obtained Bachelor's Degree in Communication from Universitas Indonesia.

Dio Alexander Samsoeri

Head of Internal Audit

He has served as Head of Internal Audit PT Bank HSBC Indonesia since 24 July 2017. He obtained Bachelor's Degree in Accountancy from Universitas Indonesia.

Uliya Ariani

Head of Corporate Secretary

She has served as Head of Corporate Secretary PT Bank HSBC Indonesia since 7 August 2017. She obtained Bachelor's Degree in Law from Universitas Indonesia.

Lestari A Umardin

Chief Credit Approval Officer

She has served as Chief Credit Approval Officer PT Bank HSBC Indonesia since 17 April 2017. She obtained Master of Finance from Universitas Atma Jaya.

Asri Triwahyuni Sutyoko

Head of Corporate Sustainability

She has served as SVP and Head of Corporate Sustainability PT Bank HSBC Indonesia since 17 April 2017. She obtained Bachelor's Degree in English Language and Culture from Universitas Indonesia.

Grace Rosalie Papilaya

General Legal Counsel

She has served as General Legal Counsel PT Bank HSBC Indonesia since 3 July 2017. She obtained Bachelor's Degree in Law from Universitas Indonesia.

ADDRESS OF OFFICES & BRANCHES

BALIKPAPAN

- Jl. Jendral Sudirman No. 9, Balikpapan, 76112

BANDAR LAMPUNG

- Jl. Ikan Bawal No. 79 -81, Bandar Lampung, 35223
- Jl. Kartini No. 136E, Bandar Lampung, 35111

BANDUNG

- Wisma HSBC, Jl. Asia Afrika No. 116, Bandung, 40261
- Jl. Buah Batu No. 238, Bandung, 40265
- Flamboyan Square Unit F1, Lantai 1 - 2, Jl. Sukajadi 232, Bandung, 40153
- Jl. Ir. H. Djuanda No. 74, Bandung, 40132

BANJARMASIN

- Jl. Ahmad Yani KM 1 No. 20A - B, Banjarmasin, 70233

BANYUMAS

- Jl. S. Parman No. 84, Purwokerto, 53141

BATAM

- Komplek Sumber Jaya Blok A No. 1 – 3, Jl. Raden Patah, Batam, 29444

BEKASI

- Kawasan Industri Jababeka II, Ruko Kapitol Blok 2I & 2G, Jl. Niaga Raya, Bekasi, 17530
- Komplek Sentral Niaga Kalimalang Blok A8 No. 10, Jl. Ahmad Yani, Bekasi, 17141

BOGOR

- Jl. Raya Pajajaran No.84 Ruko C - D, Bogor, 16143

CIREBON

- Jl. Yos Sudarso No. 15 A - C, Cirebon, 45111

DENPASAR

- Ruko Sudirman Panjer, Jl. Jend. Sudirman, Kel. Panjer, Kec. Denpasar Selatan, Denpasar

DEPOK

- Perumahan Bukit Rafflesia, Jl. Alternatif Cibubur Blok AF No. 1, Depok, 17435

JAMBI

- Jl. Hayam Wuruk No. 46 - 47, Jambi, 36125

CENTRAL JAKARTA

- Jl. Mangga Dua Raya Blok E No. 28, Jakarta, 14430
- Jl. Pangeran Jayakarta No. 126 - 129 Blok A/6 - 7, Jakarta, 10730
- Komplek Ruko Bahan Bangunan, Blok F4 No. 6 - 7, Jl. Mangga Dua Raya, Jakarta, 10730
- Jl. Sukarjo Wiryopranoto No. 2/5, Jakarta, 11160
- Gedung Sentral Senayan I, Lantai Dasar, Jl. Asia Afrika No. 8, Senayan, Jakarta 10270
- Wisma BNI 46 - Kota BNI, Lantai Dasar, Jl. Jendral Sudirman Kav. 1, Jakarta, 10220
- Gedung PELNI, Lantai Mezzanine, Jl. Gajah Mada No. 14, Jakarta, 10130
- Jl. Kopi No. 2K, Jakarta, 11230

WEST JAKARTA

- Wisma AKR, Lantai Dasar, Jl. Panjang No. 5, Jakarta, 11520
- Graha Antero, Jl. Tomang Raya No. 27, Jakarta, 11440
- Ruko Puri Kencana Niaga, Jl. Puri Kencana Blok J1 No. 20 - P, Jakarta, 11610
- Komplek Ruko Glodok Jaya, Jl. Hayam Wuruk No. 21, Jakarta, 11180
- Jl. K.H. Mansyur No. 120 G-H, Jakarta, 11250
- Jl. Tanjung Duren Raya Blok A 11 No. 6A - B, Jakarta, 11470
- Komplek Perumahan Green Garden Blok Z. 4 No. 11 - 12, Jakarta, 11520



SOUTH JAKARTA

- Wisma Pondok Indah 2 Suite G01,
Jl. Sultan Iskandar Muda V TA, Jakarta, 12310
- Jl. Melawai Raya No. 26, Jakarta , 12160
- Talavera Office Park, Lantai Dasar Suite 1-01
& Mezzanine Suite 2-01 & 2-02 ,
Jl. Letjen TB Simatupang No. 22 - 26, Jakarta, 12430
- Jl. Kemang Raya No. 7, Jakarta, 12730
- Komplek Grand ITC Permata Hijau Blok Emerald Persil
No. 34, Jl. Arteri Permata Hijau, Jakarta, 12210
- World Trade Center 1, Lantai 1,
Jl. Jendral Sudirman Kav. 29 - 31 Jakarta, 12920
- Plaza Kuningan Menara Utara, Lantai Dasar Suite 102,
Jl. Rasuna Said Kav. C 11-14, Jakarta, 12940
- Gedung Graha TNT, Lantai Dasar Wing Kiri,
Jl. Dr. Saharjo 107, Jakarta, 12810
- Gedung Menara Dea I, Lantai Dasar Zona A,
Jl. Mega Kuningan Barat Kav. E 4.3 No. 1,
Jakarta, 12950
- Jl. Hang Lekir Raya No. 14B, Jakarta, 12120



EAST JAKARTA

- Jl. Pemuda Blok W Kav. 706, Jakarta, 13220



NORTH JAKARTA

- Jl. Muara Karang Blok B8 No. 1, Jakarta, 14440
- Jl. Boulevard Barat Blok LC 6 Kav. 39-40,
Jakarta, 14240
- Komplek Puri Mutiara Blok A Kav. 93 - 95,
Jl. Griya Utama, Jakarta, 14350
- Jl. Boulevard Blok FY-1 No. 7 - 8, Jakarta, 14250
- Jl. Pluit Kencana No. 85 C - D Blok B Kav. 6,
Jakarta, 14450
- Rukan Exclusive Mediterania, Pantai Indah Kapuk
Blok B No. 27B, Jakarta, 14470



KUDUS

- Komplek Ruko Ahmad Yani No. 9,
Jl. Ahmad Yani, Kudus, 59317



MAKASSAR

- Jl. Dr. W. Sudirohusodo No. 42, Makassar, 90174
- Jl. Boulevard Ruko Jasper II F No. 30, Makassar, 90213



MALANG

- Jl. Pasar Besar 99, Malang, 65118



MANADO

- Komplek Ruko Mega Mas Blok C1 No. 15 - 16,
Jl. Pierre Tendean Boulevard, Manado, 95111



MEDAN

- Wisma HSBC, Lantai Dasar, Jl. Diponegoro 11,
Medan, 20152
- Komplek Centre Point Business Park Blok G10 - 11,
Jl. Jawa, Medan, 20412
- Jl. Pusat Pasar No. 183, Medan, 20112
- Jl. Perintis Kemerdekaan No. 9, Medan, 20234
- Glugur Golden Trade Center No.8,
Jl. Glugur, Medan, 20111
- Jl. Cirebon No. 19 - 21, Medan, 20212
- Jl. Asia No. 170 A, Medan, 20214
- Gedung Graha Merah Putih,
Jl. Putri Hijau No. 1, Medan, 20111



PALEMBANG

- Jl. Kebumen No. 791 - 792, Palembang, 30122
- Jl. Basuki Rahmat No. 24, Palembang, 30125



PANGKAL PINANG

- Jl. Soekarno Hatta No 17, Pangkal Pinang, 33684



PEKANBARU

- Jl. Riau No. 2 A - C, Pekanbaru, 28291
- Gedung Surya Dumai Group, Lantai 1 Wing Selatan,
Jl. Jendral Sudirman No. 395, Pekanbaru, 28116



PONTIANAK

- Jl. Ir. Juanda No. 37 - 39, Pontianak, 78117



**SAMARINDA**

- Jl. Imam Bonjol No. 8, Samarinda, 75112

**SEMARANG**

- Wisma HSBC, Jl. Gajah Mada 135, Semarang, 50134
- Jl. Pandanaran No. 101, Semarang, 50243

**SURABAYA**

- Graha HSBC, Jl. Jendral Basuki Rachmat No. 58 - 60, Surabaya, 60271
- Darmo Park I Blok IA No.1 - 2, Jl. Mayjen Sungkono No.118 - 118A, Surabaya, 60256
- Jl. Manyar Kertoarjo 31A - G, Surabaya, 60285
- Komplek Pertokoan Permata Raden Saleh Square, Jl. Raden Saleh Blok B-3, Surabaya, 60174
- Jl. Achmad Yani No. 40 L, Sidoarjo, 61212
- Ruko Office Park 2, Jl. Bukit Darmo Boulevard Blok B2 No. 29, Surabaya, 60162
- Jl. Coklat No. 29, Surabaya, 60161
- Jl. Raya Jemursari No. 240B - 242, Surabaya, 60237
- Jl. Raya Darmo No. 31, Surabaya, 60261

**SOLO**

- Jl. Slamet Riyadi No. 73, Solo, 57112

**TANGERANG**

- Cluster Rodeo Drive Boulevard Blok A No. 1, Jl. Gading Serpong Boulevard, Tangerang, 15138
- Jl. Pahlawan Seribu No. 8 A - B, Tangerang, 15321
- Ruko Jalur Sutera, Jl. Jalur Sutera 29D No. 47, Tangerang, 15326
- Jl. Merdeka Blok A-12 No. 92, Tangerang, 15114
- Kebayoran Arcade Blok KA/B1 No. 23, Kel. Pondok Jaya, Kec. Pondok Aren, Kota Tangerang Selatan

**YOGYAKARTA**

- Jl. Pangeran Mangkubumi No. 63, Yogyakarta, 55232



Financial Statements

PT BANK HSBC INDONESIA

**LAPORAN KEUANGAN/
*FINANCIAL STATEMENTS***

31 DESEMBER/*DECEMBER* 2018

**SURAT PERNYATAAN DIREKSI
TENTANG
TANGGUNG JAWAB ATAS LAPORAN KEUANGAN 31 DESEMBER 2018
DAN TAHUN YANG BERAKHIR 31 DESEMBER 2018
PT BANK HSBC INDONESIA
DIRECTORS' STATEMENT LETTER
REGARDING
THE RESPONSIBILITY ON THE FINANCIAL STATEMENTS 31 DECEMBER 2018
AND FOR THE YEAR ENDED 31 DECEMBER 2018
PT BANK HSBC INDONESIA**

Kami yang bertandatangan di bawah ini/ *We, the undersigned:*

- | | |
|------------------------------|---|
| 1. Nama/Name | : John Rosie |
| Alamat kantor/Office address | : Gedung World Trade Center Lt. 3 Jl. Jend. Sudirman
Kav. 29-31, Jakarta 12920 |
| Nomor Telepon/Phone Number | : (021) 25545800 |
| Jabatan/Position | : Direktur/Director |
| | |
| 2. Nama/Name | : Tripudjo P. Soemarmo |
| Alamat kantor/Office address | : Gedung World Trade Center Lt. 3 Jl. Jend. Sudirman
Kav. 29-31, Jakarta 12920 |
| Nomor Telepon/Phone Number | : (021) 25545800 |
| Jabatan/Position | : Direktur/Director |

menyatakan bahwa:

declare that:

- | | |
|--|---|
| 1. Kami bertanggung jawab atas penyusunan dan penyajian laporan keuangan PT Bank HSBC Indonesia ("Bank"); | 1. <i>We are responsible for the preparation and presentation of the financial statements of PT Bank HSBC Indonesia (the "Bank");</i> |
| 2. Laporan keuangan Bank telah disusun dan disajikan sesuai dengan Standar Akuntansi Keuangan di Indonesia; | 2. <i>The Bank's financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards;</i> |
| 3. a. Semua informasi dalam laporan keuangan Bank telah dimuat secara lengkap dan benar; | 3. a. <i>All information contained in the Bank's financial statements have been disclosed in a complete and truthful manner;</i> |
| b. Laporan keuangan Bank tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material; | b. <i>The Bank's financial statements do not contain misleading material information or facts, and do not omit material information or facts;</i> |
| 4. Kami bertanggung jawab atas sistem pengendalian intern Bank. | 4. <i>We are responsible for the Bank's internal control system.</i> |

Demikian pernyataan ini dibuat dengan *This statement has been made truthfully.*
sebenarnya.

Jakarta, 22 Maret/March 2019

Atas nama dan mewakili Direksi/ *For and on behalf of Board of Directors*

 John Rosie Direktur/ Director	 Tripudjo P. Soemarmo Direktur/ Director
---	--

PT Bank HSBC Indonesia

Kantor Pusat – World Trade Centre 1, Lantai 8-9, Jl. Jendral Sudirman Kav. 29-31, Jakarta 12920, Indonesia
Tel: +62 21 2554-5800, Fax: +62 21 5790-4461

Diterbitkan oleh PT Bank HSBC Indonesia yang terdaftar dan diawasi oleh Otoritas Jasa Keuangan (OJK)



**LAPORAN AUDITOR INDEPENDEN
KEPADA PARA PEMEGANG SAHAM**

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF**

PT BANK HSBC INDONESIA

Kami telah mengaudit laporan keuangan PT Bank HSBC Indonesia ("Bank") terlampir, yang terdiri dari laporan posisi keuangan tanggal 31 Desember 2018, serta laporan laba rugi dan penghasilan komprehensif lain, laporan perubahan ekuitas dan laporan arus kas untuk tahun yang berakhir pada tanggal tersebut, dan suatu ikhtisar kebijakan akuntansi signifikan dan informasi penjelasan lainnya.

We have audited the accompanying financial statements of PT Bank HSBC Indonesia (the "Bank"), which comprise the statement of financial position as of 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Tanggung jawab manajemen atas
laporan keuangan**

Manajemen bertanggung jawab atas penyusunan dan penyajian wajar laporan keuangan ini sesuai dengan Standar Akuntansi Keuangan di Indonesia, dan atas pengendalian internal yang dianggap perlu oleh manajemen untuk memungkinkan penyusunan laporan keuangan yang bebas dari kesalahan penyajian material, baik yang disebabkan oleh kecurangan maupun kesalahan.

***Management's responsibility for the
financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Tanggung jawab auditor

Tanggung jawab kami adalah untuk menyatakan suatu opini atas laporan keuangan ini berdasarkan audit kami. Kami melaksanakan audit kami berdasarkan Standar Audit yang ditetapkan oleh Institut Akuntan Publik Indonesia. Standar tersebut mengharuskan kami untuk mematuhi ketentuan etika serta merencanakan dan melaksanakan audit untuk memperoleh keyakinan memadai tentang apakah laporan keuangan bebas dari kesalahan penyajian material.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Kantor Akuntan Publik Tanudiredja, Wibisana, Rintis & Rekan

*WTC 3, Jl. Jend. Sudirman Kav. 29-31, Jakarta 12920 – Indonesia,
T: +62 21 5212901, F: + 62 21 52905555 / 52905050, www.pwc.com/id*

Nomor Izin Usaha: KEP-241/KM.1/2015.

00323/2.1025/AU.1/07/0222-1/1/III/2019



Suatu audit melibatkan pelaksanaan prosedur untuk memperoleh bukti audit tentang angka-angka dan pengungkapan dalam laporan keuangan. Prosedur yang dipilih bergantung pada pertimbangan auditor, termasuk penilaian atas risiko kesalahan penyajian material dalam laporan keuangan, baik yang disebabkan oleh kecurangan maupun kesalahan. Dalam melakukan penilaian risiko tersebut, auditor mempertimbangkan pengendalian internal yang relevan dengan penyusunan dan penyajian wajar laporan keuangan entitas untuk merancang prosedur audit yang tepat sesuai dengan kondisinya, tetapi bukan untuk tujuan menyatakan opini atas keefektifitasan pengendalian internal entitas. Suatu audit juga mencakup pengevaluasian atas ketepatan kebijakan akuntansi yang digunakan dan kewajaran estimasi akuntansi yang dibuat oleh manajemen, serta pengevaluasian atas penyajian laporan keuangan secara keseluruhan.

Kami yakin bahwa bukti audit yang telah kami peroleh adalah cukup dan tepat untuk menyediakan suatu basis bagi opini audit kami.

Opini

Menurut opini kami, laporan keuangan terlampir menyajikan secara wajar, dalam semua hal yang material, posisi keuangan PT Bank HSBC Indonesia pada tanggal 31 Desember 2018, serta kinerja keuangan dan arus kas untuk tahun yang berakhir pada tanggal tersebut, sesuai dengan Standar Akuntansi Keuangan di Indonesia.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Bank HSBC Indonesia as of 31 December 2018, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

JAKARTA
22 Maret/March 2019

Drs. M. Jusuf Wibisana, M.Ec., CPA

Surat Ijin Akuntan Publik/License of Public Accountant No. AP. 0222

PT BANK HSBC INDONESIA

**LAPORAN POSISI KEUANGAN
31 DESEMBER 2018**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2018**

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	31 Desember/ December 2018	31 Desember/ December 2017	
ASET				ASSETS
Kas	6,25	654.061	581.541	Cash
Giro pada Bank Indonesia	7,25	7.777.923	6.755.215	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	8,25,34	1.996.602	1.866.023	Demand deposits with other banks
Penempatan pada Bank Indonesia	25	349.898	1.249.637	Placements with Bank Indonesia
Penempatan pada bank-bank lain	9,25,34	7.507.532	6.353.055	Placements with other banks
Efek-efek untuk tujuan investasi	10,25	12.599.817	13.703.861	Investment securities
Aset keuangan dalam kelompok diperdagangkan	11,25	2.903.759	5.153.632	Financial assets held for trading
Tagihan derivatif	12,25,33	541.882	189.255	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	25	1.093.927	500.000	Securities purchased with agreement to resell
Wesel ekspor	25	1.081.959	1.218.778	Export bills
Tagihan akseptasi	13,25	2.405.640	1.827.734	Acceptance receivables
Kredit yang diberikan kepada nasabah - setelah dikurangi penyisihan kerugian penurunan nilai sebesar Rp 2.131.328 pada 31 Desember 2018 dan Rp 2.583.319 pada 31 Desember 2017	14,25,34	66.343.972	57.951.447	Loans to customers - net of allowance for impairment losses of Rp 2,131,328 on 31 December 2018 and Rp 2,583,319 on 31 December 2017
Aset lain-lain	15,34	2.577.430	2.601.215	Other assets
Aset tetap - setelah dikurangi akumulasi penyusutan sebesar Rp 904.461 pada 31 Desember 2018 dan Rp 832.301 pada 31 Desember 2017		669.201	672.863	Properties and equipments - net of accumulated depreciation of Rp 904,461 on 31 December 2018 and Rp 832,301 on 31 December 2017
Aset takberwujud - setelah dikurangi akumulasi amortisasi sebesar Rp 141.414 pada 31 Desember 2018 dan Rp 90.377 pada 31 Desember 2017		178.041	231.315	Intangible assets - net of accumulated amortisation of Rp 141,414 on 31 December 2018 and Rp 90,377 on 31 December 2017
Aset pajak tangguhan	32	279.305	162.125	Deferred tax assets
JUMLAH ASET		<u>108.960.949</u>	<u>101.017.696</u>	TOTAL ASSETS

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

PT BANK HSBC INDONESIA

LAPORAN POSISI KEUANGAN
31 DESEMBER 2018

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2018

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	31 Desember/ December 2018	31 Desember/ December 2017	
LIABILITAS DAN EKUITAS				LIABILITIES AND EQUITY
LIABILITAS				LIABILITIES
Simpanan dari nasabah	16,25,34	54.906.968	56.932.673	<i>Deposits from customers</i>
Simpanan dari bank-bank lain	17,25,34	8.776.773	8.577.319	<i>Deposits from other banks</i>
Liabilitas derivatif	12,25,34	824.198	527.037	<i>Derivative payables</i>
Utang akseptasi	13,25,34	2.405.640	1.827.734	<i>Acceptance payables</i>
Efek-efek yang dijual dengan janji dibeli kembali	25	1.454.081	-	<i>Securities sold with agreement to repurchase</i>
Utang pajak penghasilan	32	1.220	-	<i>Income tax payable</i>
Beban akrual dan provisi	18,25,34	744.828	529.064	<i>Accruals and provisions</i>
Liabilitas lain-lain	19,25,34	2.601.098	2.683.331	<i>Other liabilities</i>
Pinjaman yang diterima	25,34	19.973.820	13.363.988	<i>Borrowings</i>
Pinjaman subordinasi	25,34	1.078.500	1.017.563	<i>Subordinated debt</i>
Liabilitas imbalan kerja	21	<u>538.104</u>	<u>690.705</u>	<i>Employee benefits obligations</i>
JUMLAH LIABILITAS		<u>93.305.230</u>	<u>86.149.414</u>	TOTAL LIABILITIES
EKUITAS				EQUITY
Modal saham – nilai nominal Rp 1.000 (dalam Rupiah penuh) per saham; Modal dasar – 20.000.000.000 saham; Modal ditempatkan dan disetor penuh – 10.586.394.997 saham	22	10.586.395	10.586.395	<i>Share capital – nominal value of Rp 1,000 (in Rupiah full amount) per share; Authorised capital – 20,000,000,000 shares; Issued and fully paid-up capital – 10,586,394,997 shares</i>
Tambahan modal disetor - bersih	23	257.610	257.610	<i>Additional paid-in capital - net</i>
Cadangan program kompensasi berbasis saham	20	13.828	17.512	<i>Share-based payments program reserves</i>
Pengukuran kembali atas liabilitas imbalan pasca kerja		(39.303)	(52.575)	<i>Remeasurements from post employment benefits obligation</i>
Perubahan nilai wajar bersih aset keuangan tersedia untuk dijual		(62.943)	53.748	<i>Net changes in fair value available for sale financial assets</i>
Saldo laba: - Telah ditentukan penggunaannya - Belum ditentukan penggunaannya	24	<u>17.361</u> <u>4.882.771</u>	<u>3.648</u> <u>4.001.944</u>	<i>Retained earnings: Appropriated - Unappropriated -</i>
JUMLAH EKUITAS		<u>15.655.719</u>	<u>14.868.282</u>	TOTAL EQUITY
JUMLAH LIABILITAS DAN EKUITAS		<u>108.960.949</u>	<u>101.017.696</u>	TOTAL LIABILITIES AND EQUITY

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

PT BANK HSBC INDONESIA

**LAPORAN LABA RUGI DAN PENGHASILAN
KOMPREHENSIF LAIN
UNTUK TAHUN BERAKHIR 31 DESEMBER 2018**
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Catatan/ Notes</u>	<u>2018</u>	<u>2017</u>	
PENDAPATAN OPERASIONAL				OPERATING INCOME
Pendapatan bunga	26,34	5.976.280	5.050.434	<i>Interest income</i>
Beban bunga	26,34	<u>(1.796.617)</u>	<u>(1.397.416)</u>	<i>Interest expenses</i>
Pendapatan bunga bersih		<u>4.179.663</u>	<u>3.653.018</u>	Net interest income
Pendapatan provisi dan komisi	27,34	1.921.927	1.418.539	<i>Fees and commissions income</i>
Beban provisi dan komisi	27,34	<u>(520.642)</u>	<u>(354.705)</u>	<i>Fees and commissions expenses</i>
Pendapatan provisi dan komisi bersih		<u>1.401.285</u>	<u>1.063.834</u>	Net fees and commissions
Pendapatan instrumen yang diperdagangkan - bersih	28	938.715	674.866	<i>Trading income - net</i>
Laba atas selisih kurs - bersih		20.213	25.774	<i>Foreign exchange gain - net</i>
Rugi dari aset yang dimiliki untuk dijual - bersih		<u>(63.855)</u>	<u>(3.440)</u>	<i>Loss from assets held for sale - net</i>
Pendapatan lainnya - bersih	34	<u>8.223</u>	<u>1.870</u>	<i>Other income - net</i>
		<u>903.296</u>	<u>699.070</u>	
Kerugian penurunan nilai aset keuangan - bersih	29	<u>(1.315.957)</u>	<u>(833.358)</u>	<i>Impairment losses on financial assets - net</i>
Jumlah pendapatan operasional		<u>5.168.287</u>	<u>4.582.564</u>	Total operating income
BEBAN OPERASIONAL				OPERATING EXPENSES
Beban karyawan	30,34	<u>(1.876.743)</u>	<u>(1.629.700)</u>	<i>Employees expenses</i>
Beban umum dan administrasi	31,34	<u>(1.804.919)</u>	<u>(1.249.654)</u>	<i>General and administrative expenses</i>
Beban depresiasi aset tetap		<u>(165.134)</u>	<u>(130.331)</u>	<i>Depreciation expenses of properties and equipments</i>
Beban amortisasi aset takberwujud		<u>(55.787)</u>	<u>(54.745)</u>	<i>Amortization expenses of intangible assets</i>
Jumlah beban operasional		<u>(3.902.583)</u>	<u>(3.064.430)</u>	Total operating expenses
LABA SEBELUM PAJAK		<u>1.265.704</u>	<u>1.518.134</u>	PROFIT BEFORE TAX
Beban pajak penghasilan	32	<u>(371.164)</u>	<u>(146.834)</u>	<i>Income tax expense</i>
LABA BERSIH TAHUN BERJALAN		<u>894.540</u>	<u>1.371.300</u>	NET PROFIT FOR THE YEAR
RUGI KOMPREHENSIF LAIN				OTHER COMPREHENSIVE LOSS
Pos-pos yang akan direklasifikasi ke laba rugi:				<i>Items that will be reclassified subsequently to profit or loss:</i>
Investasi tersedia untuk dijual:				<i>Available-for-sale investments:</i>
- Rugi tahun berjalan		<u>(155.588)</u>	<u>(10.055)</u>	<i>Loss during the year -</i>
- Pajak penghasilan terkait	32	<u>38.897</u>	<u>2.514</u>	<i>Related income tax -</i>
		<u>(116.691)</u>	<u>(7.541)</u>	
Pos-pos yang tidak akan direklasifikasi ke laba rugi:				<i>Items that will not be reclassified subsequently to profit or loss:</i>
Pengukuran kembali atas liabilitas imbalan pasca kerja:				<i>Remeasurements from post employment benefits obligation:</i>
- Laba/(rugi) aktuarial tahun berjalan		17.696	(42.760)	<i>Actuarial gain/(loss) -</i>
- Pajak penghasilan terkait	32	<u>(4.424)</u>	<u>10.690</u>	<i>during the year</i>
		<u>13.272</u>	<u>(32.070)</u>	<i>Related income tax -</i>
RUGI KOMPREHENSIF LAIN, BERSIH SETELAH PAJAK		<u>(103.419)</u>	<u>(39.611)</u>	OTHER COMPREHENSIVE LOSS, NET OF TAX
JUMLAH PENGHASILAN KOMPREHENSIF UNTUK TAHUN BERJALAN		<u>791.121</u>	<u>1.331.689</u>	TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

PT BANK HSBC INDONESIA

LAPORAN PERUBAHAN EKUITAS
UNTUK TAHUN BERAKHIR 31 DESEMBER 2018
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	Modal ditempatkan dan disetor penuh/ Issued and fully paid-up capital	Tambahan modal disetor - bersih/ Additional paid-in capital - net	Cadangan program berbasis Saham/ Share-based payment program reserves	Rugi komprehensif lain - bersih setelah pajak/ Other comprehensive loss - net of tax	Saldo laba/ Retained earnings	Jumlah ekuitas/ Total equity
						Telah ditempatkan penggunaannya/ Appropriated	Belum ditempatkan penggunaannya/ Unappropriated
Saldo, 1 Januari 2017		2.586.395	257.610	-	(13.522)	3.398	2.630.894
Penerbitan modal saham	22	8.000.000	-	-	-	-	-
Cadangan umum dan wajib yang telah ditentukan penggunaannya	24	-	-	-	-	250	(250)
Perubahan cadangan program berbasis saham		-	-	(4.285)	-	-	-
Jumlah penghasilan komprehensif tahun berjalan:							
Laba bersih tahun berjalan		-	-	-	-	-	-
Penghasilan komprehensif lain, bersih setelah pajak		-	-	-	(32.070)	-	-
Pengukuran kembali atas liabilitas imbalan pasca kerja		-	-	-	(7.541)	-	-
Perubahan nilai wajar (aset keuangan tersedia untuk dijual)	5	-	-	-	(39.611)	-	-
Jumlah penghasilan komprehensif tahun berjalan		-	-	-	-	-	-
Perubahan ekuitas karena pengalihan aset dan liabilitas:							
Perubahan cadangan program kompensasi berbasis saham		-	-	21.797	-	-	-
Perubahan nilai wajar (aset keuangan tersedia untuk dijual)		-	-	-	54.306	-	-
Saldo, 31 Desember 2017		10.586.395	257.610	17.512	1.173	3.648	4.001.944
Cadangan umum dan wajib yang telah ditentukan penggunaannya	24	-	-	-	-	13.713	(13.713)
Perubahan cadangan program berbasis saham		-	-	(3.684)	-	-	-
Jumlah penghasilan komprehensif tahun berjalan:							
Laba bersih tahun berjalan		-	-	-	-	-	-
Penghasilan komprehensif lain, bersih setelah pajak		-	-	-	-	-	-
Pengukuran kembali atas liabilitas imbalan pasca kerja		-	-	-	13.272	-	-
Perubahan nilai wajar (aset keuangan tersedia untuk dijual)	5	-	-	-	(116.691)	-	-
Jumlah penghasilan komprehensif tahun berjalan		-	-	-	(103.419)	-	-
Saldo, 31 Desember 2018		10.586.395	257.610	13.828	(102.246)	17.361	4.882.771

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

Lampiran - 4 - Schedule

PT BANK HSBC INDONESIA

LAPORAN ARUS KAS
UNTUK TAHUN BERAKHIR 31 DESEMBER 2018
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan khusus)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Catatan/ Notes</u>	<u>2018</u>	<u>2017</u>	
ARUS KAS DARI AKTIVITAS OPERASI				CASH FLOWS FROM OPERATING ACTIVITIES
Penerimaan pendapatan bunga		5.975.979	4.599.912	Receipts from interest income
Pembayaran beban bunga		(1.787.098)	(1.358.178)	Payments for interest expenses
Penerimaan provisi dan komisi		1.829.410	1.408.604	Receipts from fees and commissions
Pembayaran provisi dan komisi		(520.642)	(354.705)	Payments for fees and commissions
Laba atas selisih kurs - bersih		39.740	25.774	Realised foreign exchange gain - net
Hasil penjualan aset yang dimiliki untuk dijual		5.775	8.023	Proceeds from sale of assets held for sale
Penerimaan pendapatan operasional		1.098.303	737.068	Receipts from operating income
Pembayaran beban operasional		(3.946.222)	(1.534.822)	Payments for operating expenses
Pembayaran pajak penghasilan badan		(606.084)	(641.941)	Corporate income tax paid
Perubahan aset operasi:				Changes in operating assets:
Aset keuangan dalam kelompok diperdagangkan		2.249.873	(1.762.856)	Financial assets held for trading
Tagihan derivatif		(352.629)	303.775	Derivative receivables
Kredit yang diberikan kepada nasabah		(8.083.622)	(1.303.539)	Loans to customers
Aset lain-lain		(908.462)	3.332.545	Other assets
Perubahan liabilitas operasi:				Changes in operating liabilities:
Simpanan dari nasabah		(3.268.000)	(16.829.257)	Deposits from customers
Simpanan dari bank-bank lain		199.454	5.452.371	Deposits from other banks
Liabilitas derivatif		297.163	(537.131)	Derivative payables
Beban akrual dan provisi		206.245	(131.883)	Accruals and provisions
Liabilitas lain-lain		2.042.270	(12.169.147)	Other liabilities
Kas bersih yang digunakan untuk aktivitas operasi		<u>(5.528.547)</u>	<u>(20.755.387)</u>	Net cash used in operating activities
ARUS KAS DARI AKTIVITAS INVESTASI				CASH FLOWS FROM INVESTING ACTIVITIES
Pembelian efek-efek untuk tujuan investasi		(14.276.483)	(9.413.241)	Purchase of investment securities
Hasil penjualan/maturitas efek-efek untuk tujuan investasi		15.224.938	9.131.089	Proceed from sale/maturity of investment securities
Hasil penjualan aset tetap		12.997	368	Proceed from sale of properties and equipments
Perolehan aset tetap		(170.245)	(572.718)	Acquisition of properties and equipments
Perolehan aset takberwujud		(2.967)	(174.635)	Acquisition of intangible assets
Pengalihan kas dan setara kas sehubungan dengan integrasi usaha		-	13.105.888	Transfer of cash and cash equivalents from business integration
Kas bersih yang diperoleh dari aktivitas investasi		<u>788.240</u>	<u>12.076.751</u>	Net cash provided from investing activities
ARUS KAS DARI AKTIVITAS PENDANAAN				CASH FLOWS FROM FINANCING ACTIVITIES
Hasil dari penerbitan modal saham	21	-	8.000.000	Proceed from issuance of share capital
Penerimaan pinjaman dan pinjaman subordinasi		5.921.050	13.906.688	Proceed from borrowings and subordinated debts
Kas bersih yang diperoleh dari aktivitas pendanaan		<u>5.921.050</u>	<u>21.906.688</u>	Net cash provided from financing activities
KENAIKAN BERSIH KAS DAN SETARA KAS		1.180.743	13.228.052	NET INCREASE IN CASH AND CASH EQUIVALENTS
PENGARUH SELISIH KURS MATA UANG ASING PADA KAS DAN SETARA KAS		299.802	(330)	EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATION ON CASH AND CASH EQUIVALENTS
KAS DAN SETARA KAS, 1 JANUARI		<u>16.805.471</u>	<u>3.577.749</u>	CASH AND CASH EQUIVALENTS, 1 JANUARY
KAS DAN SETARA KAS, 31 DESEMBER		<u>18.286.016</u>	<u>16.805.471</u>	CASH AND CASH EQUIVALENTS, 31 DECEMBER
Kas dan setara kas terdiri dari:				Cash and cash equivalents consist of:
Kas	6	654.061	581.541	Cash
Giro pada Bank Indonesia	7	7.777.923	6.755.215	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	8	1.996.602	1.866.023	Demand deposits with other banks
Penempatan pada Bank Indonesia - jatuh tempo dalam 3 bulan sejak tanggal perolehan	24	349.898	1.249.637	Placements with Bank Indonesia - mature within 3 months from the date of acquisition
Penempatan pada bank-bank lain - jatuh tempo dalam 3 bulan sejak tanggal perolehan	9	7.507.532	6.353.055	Placements with other banks - mature within 3 months from the date of acquisition
		<u>18.286.016</u>	<u>16.805.471</u>	

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

LAPORAN ARUS KAS
UNTUK TAHUN BERAKHIR 31 DESEMBER 2018
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan khusus)

STATEMENTS OF CASH FLOWS
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(Expressed in millions of Rupiah, unless otherwise stated)

Informasi tambahan arus kas:
Rekonsiliasi utang bersih

Supplemental cash flows information:
Net debt reconciliation

	31 Desember/ December 2017	Arus kas/ Cash flows	Perubahan non-kas/ Non-cash changes		31 Desember/ December 2018	
			Amortisasi diskonto dan premi/ Amortisation of discount and premium	Pergerakan valuta asing/ Foreign currency movement		
Kas dan setara kas	16.805.471	1.180.743	-	299.802	18.286.016	Cash and cash equivalents
Rekonsiliasi liabilitas yang timbul dari aktivitas pendanaan:						Reconciliation of liabilities arising from financing activities:
- Pinjaman yang diterima	(13.363.988)	(5.921.050)	-	(688.782)	(19.973.820)	Borrowings -
- Pinjaman subordinasi	(1.017.563)	-	-	(60.937)	(1.078.500)	Subordinated debt -
Hutang bersih	<u>2.423.920</u>	<u>(4.740.307)</u>	<u>-</u>	<u>(449.917)</u>	<u>(2.766.304)</u>	Net debt

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN TAHUN BERAKHIR 31 DESEMBER 2018

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

1. UMUM

a. Pendirian dan informasi umum

PT Bank HSBC Indonesia ("Bank") didirikan dengan akta No. 31 tanggal 15 Mei 1989 yang dibuat di hadapan Winnie Hadiprodjo, S.H., selaku pengganti dari Kartini Muljadi, S.H., notaris di Jakarta. Berdasarkan akta No. 29 tanggal 8 September 1989 yang dibuat di hadapan Kartini Muljadi, S.H., notaris di Jakarta, nama Bank diubah menjadi PT Bank Ekonomi Raharja. Kedua akta tersebut telah disahkan oleh Menteri Kehakiman Republik Indonesia (sekarang Menteri Hukum dan Hak Asasi Manusia) dengan Surat Keputusan No. C2-8787.HT.01.01.TH'89 tanggal 18 September 1989 dan diumumkan dalam Tambahan No. 2573 pada Berita Negara Republik Indonesia No. 84 tanggal 20 Oktober 1989.

Sesuai dengan akta No. 101 tanggal 10 Agustus 2016 yang dibuat di hadapan Dr. Irawan Soerodjo, S.H., MSi, notaris di Jakarta, para pemegang saham menyetujui perubahan nama Bank menjadi PT Bank HSBC Indonesia. Perubahan nama Bank ini telah disahkan oleh Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dalam Surat Keputusan No. AHU-0014340.AH.01.02. tanggal 10 Agustus 2016 dan telah disetujui oleh Otoritas Jasa Keuangan (OJK) melalui keputusan Dewan Komisiner OJK No. 15/KDK.03/2016 tanggal 4 Oktober 2016 tentang Penetapan Penggunaan Izin Usaha Atas Nama PT Bank Ekonomi Raharja menjadi Izin Usaha Atas Nama PT Bank HSBC Indonesia.

Anggaran dasar Bank telah mengalami beberapa kali perubahan, perubahan terakhir dilakukan dengan akta No. 57 tanggal 12 April 2017 yang dibuat di hadapan Dr. Irawan Soerodjo, S.H., M.Si., notaris di Jakarta sehubungan dengan penambahan modal saham Bank (lihat Catatan 22).

Bank mulai beroperasi secara komersial pada tanggal 8 Maret 1990. Sesuai dengan pasal 3 anggaran dasar Bank, maksud dan tujuan didirikannya Bank adalah:

1. Menjalankan usaha di bidang bank umum.
2. Untuk mencapai maksud dan tujuan tersebut di atas, Bank dapat melaksanakan kegiatan usaha antara lain: menghimpun dana dari masyarakat, memberikan kredit, menerbitkan surat pengakuan utang, membeli, menjual atau memberikan jaminan atas risiko sendiri maupun untuk kepentingan dan atas perintah nasabah, melaksanakan kegiatan anjak piutang, usaha kartu kredit dan kegiatan wali amanat, melakukan transaksi dalam valuta asing sesuai dengan ketentuan Bank Indonesia, melakukan penyertaan modal pada bank atau lembaga keuangan lainnya dengan memenuhi ketentuan yang ditetapkan Bank Indonesia.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2018

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL

a. Establishment and general information

PT Bank HSBC Indonesia (the "Bank") was established based on the notarial deed No. 31 dated 15 May 1989 of Winnie Hadiprodjo, S.H., substitute of Kartini Muljadi, S.H., notary public in Jakarta. Based on notarial deed No. 29 dated 8 September 1989 of Kartini Muljadi, S.H., notary public in Jakarta, the Bank's name was changed to PT Bank Ekonomi Raharja. Both notarial deeds were approved by the Minister of Justice of the Republic of Indonesia (currently the Minister of Law and Human Rights) in the Decision Letter No. C2-8787.HT.01.01.TH'89 dated 18 September 1989 and published in the Supplement No. 2573 to State Gazette of the Republic of Indonesia No. 84 dated 20 October 1989.

According to notarial deed No. 101 dated 10 August 2016 of Dr. Irawan Soerodjo, S.H., MSi, notary public in Jakarta, the shareholders approved the change of the Bank's name to PT Bank HSBC Indonesia. The change of Bank's name has been approved by Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0014340.AH.01.02. dated 10 August 2016 and has been approved by Financial Service Authority (FSA) through the Board Commissioner Decision No. 15/KDK.03/2016 dated 4 October 2016 on The Confirmation to Use The Bank's Business License from PT Bank Ekonomi Raharja to PT Bank HSBC Indonesia.

The Bank's articles of association have been amended several times, the latest amendment was effected by notarial deed No. 57 dated 12 April 2017 of Dr. Irawan Soerodjo, S.H., M.Si., notary in Jakarta in relation to increase the Bank's share capital (see Note 22).

The Bank started its commercial operations on 8 March 1990. In accordance with article 3 of the Bank's articles of association, the aims and objectives for the establishment of the Bank are as follows:

1. To carry out general banking business.
2. To achieve its aims and objectives, the Bank undertakes, among other things, the following: taking deposits from the public, granting loans, issuing promissory notes, buying, selling or providing guarantee for its own risk or for the interest of and on customer's order, conducting factoring, credit cards and trust activities, conducting foreign exchange activities that comply with Bank Indonesia regulations, and investing in banks or other financial institutions that comply with Bank Indonesia regulations.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
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**NOTES TO THE FINANCIAL STATEMENTS
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1. UMUM (lanjutan)

a. Pendirian dan informasi umum (lanjutan)

Izin usaha Bank diberikan oleh Menteri Keuangan Republik Indonesia dengan Surat Keputusan No. 104/KMK.013/1990 tanggal 12 Februari 1990. Bank juga memperoleh izin untuk menjalankan aktivitas sebagai bank devisa berdasarkan Surat Keputusan Direksi Bank Indonesia No. 25/64/KEP/DIR tanggal 16 September 1992.

Kantor pusat Bank berlokasi di World Trade Center I, Jl. Jenderal Sudirman Kav. 29-31, Jakarta 12920. Pada tanggal 31 Desember 2018, Bank memiliki 40 cabang utama (termasuk kantor pusat) dan 47 cabang pembantu di Indonesia.

Pada tanggal 31 Desember 2018 dan 2017 jumlah karyawan tetap Bank masing-masing sebanyak 4.300 dan 4.623 orang (tidak diaudit).

Induk perusahaan Bank adalah HSBC Asia Pacific Holdings (UK) Limited sedangkan pemegang saham pengendali Bank adalah HSBC Holdings plc, yang didirikan di Inggris. HSBC Holdings plc memiliki entitas anak dan perusahaan afiliasi yang tersebar di seluruh dunia.

Susunan Dewan Komisaris dan Direksi Bank pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

	2018	
Komisaris Utama	Matthew Kneeland Lobner ¹⁾	President Commissioner
Wakil Komisaris Utama merangkap Komisaris Independen	Hanny Wuragian	Vice-President Commissioner and Independent Commissioner
Komisaris Independen	Hariawan Pribadi	Independent Commissioner
Komisaris Independen	Umar Juoro ²⁾	Independent Commissioner
Komisaris	Mark Thomas McKeown	Commissioner
Komisaris	Lucia Ka Yee Ku ³⁾	Commissioner
Direktur Utama	Sumit Dutta	President Director
Direktur	John Peter Watt Rosie	Director
Direktur	Blake Digney Philip Hellam	Director
Direktur	Catherinawati Hadiman Sugianto	Director
Direktur	Caecilia Pudji Widyarti	Director
Direktur	Tripudjo Putranto	Director
Direktur	Stephen Whilton Angell ⁴⁾	Director
Direktur Kepatuhan	Yessika Effendi	Compliance Director

¹⁾ Efektif sejak tanggal 25 Juni 2018

²⁾ Efektif sejak tanggal 18 Mei 2018

³⁾ Efektif setelah memperoleh persetujuan atas uji kemampuan dan kepatuhan dari OJK

⁴⁾ Efektif sejak tanggal 20 April 2018

Effective since 25 June 2018¹⁾

Effective since 18 May 2018²⁾

Effective after obtaining approval of fit and proper test³⁾
result from FSA

Effective since 20 April 2018⁴⁾

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
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1. UMUM (lanjutan)

a. Pendirian dan informasi umum (lanjutan)

Susunan Dewan Komisaris dan Direksi Bank pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut: (lanjutan)

	2017	
Komisaris Utama	Matthew Kneeland Lobner ¹⁾	<i>President Commissioner</i>
Wakil Komisaris Utama merangkap Komisaris Independen	Hanny Wurangian	<i>Vice-President Commissioner and Independent Commissioner</i>
Komisaris Independen	Hariawan Pribadi	<i>Independent Commissioner</i>
Komisaris Independen	Umar Juoro ¹⁾	<i>Independent Commissioner</i>
Komisaris	Mark Thomas McKeown	<i>Commissioner</i>
Komisaris	Antony Colin Turner ⁸⁾	<i>Commissioner</i>
Direktur Utama	Sumit Dutta ²⁾	<i>President Director</i>
Direktur	John Peter Watt Rosie ³⁾	<i>Director</i>
Direktur	Blake Digney Philip Hellam ³⁾	<i>Director</i>
Direktur	Hanna Tantani ⁹⁾	<i>Director</i>
Direktur	Catherinawati Hadiman Sugianto ⁴⁾	<i>Director</i>
Direktur	Caecilia Pudji Widyarti ⁵⁾	<i>Director</i>
Direktur	Tripudjo Putranto ⁶⁾	<i>Director</i>
Direktur	Stephen Whilton Angell ¹⁾	<i>Director</i>
Direktur Kepatuhan	Yessika Effendi ⁷⁾	<i>Compliance Director</i>

¹⁾ Efektif setelah memperoleh persetujuan atas uji kemampuan dan kepatuhan dari OJK

*Effective after obtaining approval of fit and proper test¹⁾
result from FSA*

²⁾ Efektif sejak tanggal 29 Mei 2017

Effective since 29 May 2017²⁾

³⁾ Efektif sejak tanggal 9 Mei 2017

Effective since 9 May 2017³⁾

⁴⁾ Efektif sejak tanggal 17 April 2017

Effective since 17 April 2017⁴⁾

⁵⁾ Efektif sejak tanggal 8 Agustus 2017

Effective since 8 August 2017⁵⁾

⁶⁾ Efektif sejak tanggal 19 Juni 2017

Effective since 19 June 2017⁶⁾

⁷⁾ Efektif sejak tanggal 10 Juli 2017

Effective since 10 July 2017⁷⁾

⁸⁾ Efektif mengundurkan diri sejak tanggal 1 September 2018

Effective resigned since 1 September 2018⁸⁾

⁹⁾ Efektif mengundurkan diri sejak tanggal 30 Oktober 2018

Effective resigned since 30 October 2018⁹⁾

Susunan Komite Audit Bank pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

*The composition of the Bank's Audit Committee
as of 31 December 2018 and 2017 are as
follows:*

Ketua	Hanny Wurangian ¹⁾	<i>Chairperson</i>
Anggota independen	Yustrida B. Remiasa	<i>Independent member</i>
Anggota independen	Ubaidillah Nugraha	<i>Independent member</i>

¹⁾ Wakil Komisaris Utama merangkap Komisaris Independen

*Vice-President Commissioner¹⁾
and Independent Commissioner*

b. Penawaran umum saham dan privatisasi

b. Public offering of shares and privatisation

Sesuai dengan akta No. 140 tanggal 25 Oktober 2007 yang dibuat di hadapan Dr. Irawan Soerodjo, S.H., MSi, notaris di Jakarta, para pemegang saham mengambil dan menyetujui keputusan-keputusan, antara lain, sebagai berikut:

*Based on notarial deed No. 140 dated
25 October 2007 of Dr. Irawan Soerodjo, S.H.,
MSi, notary public in Jakarta, the shareholders
resolved and approved, among others, the
following:*

- Mengubah status Bank dari perseroan tertutup menjadi perseroan terbuka.

*- Change the Bank's status from a private to a
public company.*

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
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1. UMUM (lanjutan)

**b. Penawaran umum saham dan privatisasi
(lanjutan)**

- Mengubah nama Bank menjadi PT Bank Ekonomi Raharja Tbk.
- Mengubah nilai nominal saham semula sebesar Rp 1.000 (dalam Rupiah penuh) menjadi Rp 100 (dalam Rupiah penuh) per saham.
- Menerbitkan saham sebanyak-banyaknya 270.000.000 lembar saham dengan nilai nominal Rp 100 (dalam Rupiah penuh) per saham melalui penawaran umum kepada masyarakat.

Akta tersebut telah disahkan oleh Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dengan Surat Keputusan No. C-01814.HT.01.04-TH.2007 tanggal 31 Oktober 2007 serta diumumkan dalam Tambahan No. 11468 pada Berita Negara Republik Indonesia No. 94 tanggal 23 November 2007.

Pada tanggal 28 Desember 2007, Bank memperoleh Pernyataan Efektif dari Ketua Badan Pengawas Pasar Modal dan Lembaga Keuangan (Bapepam-LK) melalui suratnya No.S-6568/BL/2007 untuk melakukan penawaran umum perdana atas 270.000.000 lembar saham Bank dengan nilai nominal Rp 100 (dalam Rupiah penuh) per saham. Harga penawaran saham adalah sebesar Rp 1.080 (dalam Rupiah penuh) per saham.

Bank mencatatkan sahamnya pada Bursa Efek Indonesia (BEI) pada tanggal 8 Januari 2008.

Pada tanggal 16 Februari 2015, Bank mengajukan permohonan kepada BEI untuk melakukan penghentian sementara perdagangan saham Bank sejak sesi perdagangan pertama pada tanggal 17 Februari 2015 sehubungan dengan rencana Bank untuk mengubah statusnya dari perusahaan terbuka menjadi perusahaan tertutup (*go private*) dan melakukan *delisting* dari BEI. BEI menghentikan sementara perdagangan efek Bank mulai sesi pertama perdagangan efek tanggal 17 Februari 2015 hingga diselesaikannya proses *delisting*.

1. GENERAL (continued)

**b. Public offering of shares and privatisation
(continued)**

- Change the Bank's name to PT Bank Ekonomi Raharja Tbk.
- Change the nominal value of share from Rp 1,000 (in Rupiah full amount) to Rp 100 (in Rupiah full amount) per share.
- Issuance of a maximum number of 270,000,000 shares with nominal value of Rp 100 (in Rupiah full amount) per share through initial public offering.

The deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia through its Decision Letter No. C-01814.HT.01.04-TH.2007 dated 31 October 2007 and was published in the Supplement No. 11468 to State Gazette of the Republic of Indonesia No.94 dated 23 November 2007.

On 28 December 2007, the Bank obtained the Effective Notification from the Chairman of Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) through its letter No. S-6568/BL/2007 for the Bank's initial public offering on 270,000,000 shares at nominal value of Rp 100 (in Rupiah full amount) per share. The offering price for the shares was Rp 1,080 (in Rupiah full amount) per share.

The Bank listed its shares at the Indonesia Stock Exchange (IDX) on 8 January 2008.

On 16 February 2015, the Bank submitted a letter to the IDX for temporary suspension of trading of the Bank's shares starting from the first trading session on 17 February 2015 in relation with the Bank's plan to change its status from a public listed company to a private company (*go private*) and to delist from the IDX. IDX temporarily suspended trading of the Bank's shares starting from the first session on 17 February 2015 until the completion of the *delisting* process.

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**NOTES TO THE FINANCIAL STATEMENTS
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1. UMUM (lanjutan)

**b. Penawaran umum saham dan privatisasi
(lanjutan)**

Sehubungan dengan rencana *go private* di atas, Bank mengadakan Rapat Umum Pemegang Saham Luar biasa (RUPSLB) pada tanggal 12 Mei 2015 yang memutuskan pokok-pokok sebagai berikut:

- Menyetujui rencana *go private* Bank
- Menyetujui perubahan dalam Anggaran Dasar Bank sehubungan dengan perubahan status Bank dari perusahaan terbuka menjadi perusahaan tertutup.

Setelah mendapat persetujuan RUPSLB atas rencana *go private*, HSBC Asia Pacific Holdings (UK) Limited (HAPH) menyampaikan Pernyataan Penawaran Tender kepada OJK dan dinyatakan efektif berdasarkan Surat OJK No. S-298/D.04/2015 tanggal 30 Juni 2015. HAPH setuju untuk melaksanakan Penawaran Tender atas Saham Publik Bank, yaitu sebanyak-banyaknya 1.718.000 saham yang mewakili 0,06% dari jumlah seluruh saham yang telah ditempatkan dan disetor penuh Bank dengan harga penawaran sebesar Rp 10.000 (dalam Rupiah penuh) per saham.

Berdasarkan Akta Pernyataan Keputusan Rapat Perseroan Terbatas No. 97 tanggal 16 November 2015, dibuat di hadapan Dr. Irawan Soerodjo, S.H., M.Si., notaris di Jakarta dan telah disetujui oleh Menteri Hukum dan Hak Asasi Manusia Republik Indonesia berdasarkan Surat Persetujuan No. AHU-0946124.AH.01.02. tahun 2015 tanggal 17 November 2015, Anggaran Dasar Bank telah diubah sehubungan dengan perubahan status Bank dari perusahaan terbuka (publik) menjadi perusahaan tertutup.

c. Integrasi usaha dengan The Hongkong and Shanghai Banking Corporation Limited – Cabang Jakarta

Pada tanggal 18 Oktober 2016, Bank telah menandatangani Perjanjian Kerangka Kerja untuk Melaksanakan Integrasi Bisnis Perbankan di Indonesia dengan The Hongkong and Shanghai Banking Corporation Limited (HBAP) untuk melaksanakan integrasi usaha dan operasi dengan kantor cabang Jakarta dari HBAP yang dikenal sebagai *Indonesian Management Office* (IMO). Pada tanggal 13 April 2017, Bank dan IMO menandatangani Perjanjian Pernyataan Kembali dan Perubahan Perjanjian Kerangka Kerja untuk Melaksanakan Integrasi Bisnis Perbankan di Indonesia. Pada tanggal 22 Maret 2017, OJK menyetujui rencana integrasi usaha Bank dan IMO melalui suratnya No. S-29/D.03/2017. Untuk informasi atas Perjanjian Integrasi, lihat Catatan 36.

1. GENERAL (continued)

**b. Public offering of shares and privatisation
(continued)**

In relation with the above go private plan, the Bank held the Extraordinary General Meeting Shareholders (EGMS) on 12 May 2015 which decided the following:

- *Approving the Bank's go private plan*
- *Approving the changes in the Bank's Articles of Association relating to the changes of the Bank's status from a publicly listed company to a private company.*

Subsequent to the EGMS approval on go private plan, HSBC Asia Pacific Holdings (UK) Limited (HAPH) submitted a Tender Offer Statement to the FSA and was declared effective by the FSA based on its letter No. S-298/D.04/2015 dated 30 June 2015. HAPH agreed to conduct the Tender Offer on the Bank's Shares held by Public shareholders, for a maximum of 1,718,000 shares representing 0.06% of the total issued and paid-up capital of the Bank at an offering price of Rp 10,000 (in Rupiah full amount) per share.

Pursuant to the Deed of Statement of Resolutions of Limited Corporation Meeting No. 97 dated 16 November 2015, drawn up by Dr. Irawan Soerodjo, S.H., M.Si., notary in Jakarta and approved by the Minister of Law and Human Rights of the Republic of Indonesia through Letter of Approval No. AHU-0946124.AH.01.02. tahun 2015 dated 17 November 2015, Articles of Association of the Bank have been amended in relation to the change in the Bank's status from a publicly listed company to a private company.

c. Business integration with The Hongkong and Shanghai Banking Corporation Limited – Jakarta Branch

On 18 October 2016, The Bank signed Framework Agreement to Implement the Integration of the Banking Business in Indonesia with The Hongkong and Shanghai Banking Corporation Limited (HBAP) to implement business and operation integration with Jakarta branches of HBAP, known as Indonesian Management Office (IMO). On 13 April 2017, the Bank and IMO signed the Restated and Amended Agreement to Implement the Integration of the Banking Business in Indonesia. On 22 March 2017, FSA has approved the business integration of the Bank and IMO through its letter No. S-29/D.03/2017. For information on Integration Agreement, see Note 36.

PT BANK HSBC INDONESIA

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1. UMUM (lanjutan)

c. Integrasi usaha dengan The Hongkong and Shanghai Banking Corporation Limited – Cabang Jakarta (lanjutan)

Bank telah menyelesaikan integrasi usaha dan operasi dengan IMO dengan tanggal efektif integrasi pada 17 April 2017. Pada tanggal efektif integrasi, jumlah tercatat aset dan liabilitas untuk posisi tutup buku 16 April 2017 yang telah diambil alih masing-masing sebesar Rp 75.181.882 sehingga nilai aset bersih yang dialihkan sama dengan Rp nihil. Bank dan IMO merupakan entitas sepengendali sehingga transaksi integrasi usaha diakui pada nilai tercatatnya berdasarkan metode penyatuan kepemilikan (Lihat Catatan 3z).

Rincian aset dan liabilitas yang ditransfer dari IMO kepada Bank pada tanggal efektif integrasi adalah sebagai berikut:

Aset	
Kas	222.535
Giro pada Bank Indonesia	5.370.180
Giro pada bank-bank lain	4.908.987
Penempatan pada Bank Indonesia dan bank-bank lain	2.604.186
Aset keuangan dalam kelompok diperdagangkan	3.263.906
Tagihan derivatif	490.950
Wesel ekspor	862.760
Tagihan akseptasi	3.099.181
Kredit yang diberikan kepada nasabah - bersih	40.743.541
Efek-efek yang dibeli dengan janji untuk dijual kembali	500.000
Efek-efek untuk tujuan investasi	9.717.065
Aset pajak tangguhan - bersih	78.692
Aset tetap - bersih	470.730
Aset lain-lain	2.849.169
Jumlah aset	75.181.882
Liabilitas	
Simpanan dari nasabah	54.650.838
Simpanan dari bank-bank lain	3.035.449
Liabilitas derivatif	1.061.473
Utang akseptasi	3.099.181
Utang pajak penghasilan	-
Beban yang masih harus dibayar	659.817
Liabilitas lain-lain	12.597.772
Liabilitas pada kantor pusat	1.249
Cadangan nilai wajar	54.306
Cadangan program kompensasi berbasis saham	21.797
Jumlah liabilitas	75.181.882
Nilai aset bersih	-

1. GENERAL (continued)

c. Business integration with The Hongkong and Shanghai Banking Corporation Limited – Jakarta Branch (continued)

The Bank has completed the business and operation integration with IMO with the effective date of integration on 17 April 2017. On the effective date of integration, the carrying amount of total assets and liabilities as at 16 April 2017 which have taken over were each Rp 75,181,882; as such, the transferred net asset value is equal to Rp nil. The Bank and IMO are entities under common control; therefore, the business integration transaction is recognised at its carrying value under pooling of interest method (See Note 3z).

Details of the assets and liabilities transferred from IMO to the Bank at the effective integration date are as follows:

Assets	
Cash	
Demand deposits with Bank Indonesia	
Demand deposits with other banks	
Placements with Bank Indonesia and other banks	
Financial assets held for trading	
Derivative receivables	
Export bills	
Acceptance receivables	
Loans to customers - net	
Securities purchase with agreement to resell	
Investment securities	
Deferred tax assets - net	
Properties and equipments - net	
Other assets	
Total assets	
Liabilities	
Deposits from customers	
Deposits from other banks	
Derivative payables	
Acceptance payables	
Income tax payables	
Accrued expenses	
Other liabilities	
Due to head office	
Fair value reserves	
Share-based payment program reserves	
Total liabilities	
Net asset value	

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2. DASAR PENYUSUNAN

Laporan keuangan Bank telah disetujui untuk diterbitkan oleh manajemen pada tanggal 22 Maret 2019.

Berikut ini adalah dasar penyusunan laporan keuangan.

a. Pernyataan kepatuhan dan dasar penyusunan laporan keuangan

Laporan keuangan Bank disusun sesuai dengan Standar Akuntansi Keuangan (SAK) di Indonesia.

Laporan keuangan disusun berdasarkan harga perolehan, kecuali untuk aset keuangan yang diklasifikasikan sebagai tersedia untuk dijual, aset dan liabilitas keuangan yang diukur pada nilai wajar melalui laporan laba rugi dan kontrak derivatif yang diukur berdasarkan nilai wajar.

Laporan keuangan disusun atas dasar akrual, kecuali laporan arus kas.

Laporan arus kas menyajikan perubahan dalam kas dan setara kas dari aktivitas operasi, investasi dan pendanaan. Laporan arus kas disusun dengan metode langsung. Untuk tujuan laporan arus kas, kas dan setara kas meliputi kas dan saldo yang tidak dibatasi penggunaannya di giro pada Bank Indonesia, giro pada bank-bank lain, penempatan pada Bank Indonesia yang jatuh tempo dalam waktu tiga bulan sejak tanggal perolehan dan penempatan pada bank-bank lain yang jatuh tempo dalam waktu tiga bulan sejak tanggal perolehan.

Laporan keuangan disajikan dalam Rupiah, yang merupakan mata uang fungsional dan pelaporan Bank. Seluruh angka dalam laporan keuangan ini disajikan dalam jutaan Rupiah yang terdekat, kecuali dinyatakan secara khusus.

b. Penggunaan pertimbangan, taksiran dan asumsi

Penyusunan laporan keuangan sesuai dengan Standar Akuntansi Keuangan di Indonesia mengharuskan manajemen untuk membuat pertimbangan-pertimbangan, taksiran-taksiran, dan asumsi-asumsi yang mempengaruhi penerapan kebijakan akuntansi dan jumlah aset, liabilitas, pendapatan dan beban yang dilaporkan.

Walaupun taksiran ini dibuat berdasarkan pengetahuan terbaik manajemen atas kejadian dan kegiatan saat ini, hasil aktual dapat berbeda dari taksiran-taksiran tersebut.

Taksiran-taksiran dan asumsi-asumsi yang digunakan ditelaah secara berkesinambungan. Revisi atas taksiran akuntansi diakui pada periode dimana taksiran tersebut direvisi dan periode-periode yang akan datang yang dipengaruhi oleh revisi taksiran tersebut.

2. BASIS OF PREPARATION

The Bank's financial statements were authorised for issue by the management on 22 March 2019.

The basis of preparation of the financial statements are set out below.

a. Statement of compliance and basis for preparation of financial statements

The Bank's financial statements have been prepared in accordance with Indonesian Financial Accounting Standards (FAS).

The financial statements are prepared under the historical cost convention, except for financial assets classified as available-for-sale, financial assets and liabilities held at fair value through profit or loss and all derivative contracts which are measured at fair value.

The financial statements have been prepared on the accrual basis, except for the statement of cash flows.

The statement of cash flows presents the changes in cash and cash equivalents from operating, investing and financing activities. The statement of cash flows is prepared using the direct method. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and unrestricted balances in demand deposits with Bank Indonesia, demand deposits with other banks, placements with Bank Indonesia mature within three months from the date of acquisition and placements with other banks mature within three months from the date of acquisition.

The financial statements are presented in Rupiah, which is the Bank's functional and reporting currency. Figures in these financial statements are rounded to and stated in millions of Rupiah, unless otherwise stated.

b. Use of judgments, estimates and assumptions

The preparation of financial statements in conformity with Indonesian Financial Accounting Standards requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Although these estimates are based on management's best knowledge of current events and activities, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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2. DASAR PENYUSUNAN (lanjutan)

b. Penggunaan pertimbangan, taksiran dan asumsi (lanjutan)

Informasi mengenai hal-hal penting yang terkait dengan ketidakpastian taksiran dan pertimbangan-pertimbangan penting dalam penerapan kebijakan akuntansi yang memiliki dampak yang signifikan terhadap jumlah yang diakui dalam laporan keuangan dijelaskan di Catatan 5.

c. Perubahan kebijakan akuntansi

Kecuali dinyatakan di bawah ini, kebijakan akuntansi yang berakhir 31 Desember 2018 telah diterapkan secara konsisten dengan laporan keuangan tahunan untuk tahun yang berakhir 31 Desember 2017 yang telah sesuai dengan Standar Akuntansi Keuangan di Indonesia.

Penerapan dari standar, interpretasi baru dan revisi standar berikut yang berlaku efektif mulai 1 Januari 2018, tidak menimbulkan perubahan substansial terhadap kebijakan akuntansi Bank dan efek atas jumlah yang dilaporkan atas tahun berjalan atau tahun sebelumnya.

- Amandemen PSAK 2 "Laporan Arus Kas "

Amandemen tersebut mensyaratkan entitas untuk menjelaskan perubahan pada kewajibannya untuk arus kas yang telah, atau yang akan di klasifikasi sebagai aktifitas pembiayaan pada laporan arus kas.

- Amandemen PSAK 16 "Aset Tetap"

Amandemen tersebut memberikan klarifikasi atas aset biologis yang memenuhi definisi dari tanaman produksi dicatat sebagai aset tetap. Definisi, pengakuan dan pengukuran dari tanaman produksi harus sesuai dengan standar yang relevan.

- Amandemen PSAK 46 "Pajak Penghasilan"

Amandemen tersebut mengklarifikasi persyaratan untuk mengakui aset pajak tangguhan atas rugi yang belum terealisasi. Amandemen tersebut mengklarifikasi akuntansi untuk pajak tangguhan dimana sebuah aset diukur pada nilai wajar dan nilai wajar tersebut lebih rendah dari dasar pengenaan pajak atas aset tersebut. Amandemen tersebut juga mengklarifikasi aspek tertentu dari akuntansi untuk pajak tangguhan.

2. BASIS OF PREPARATION (continued)

b. Use of judgments, estimates and assumptions (continued)

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amount recognised in the financial statements are described in Note 5.

c. Changes in accounting policies

Except as described below, the accounting policies applied for the year ended 31 December 2018 are consistent with those of the annual financial statements for the year ended 31 December 2017 financial which conform to the Indonesian Financial Accounting Standards.

The adoption of these new and amended standards and interpretations that are effective beginning 1 January 2018 did not result in substantial changes to the Bank's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

- Amendment to SFAS 2 "Statements of Cash Flows"

The amendment requires entity to explain changes in their liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows.

- Amendment to SFAS 16 "Property, Plant and Equipment"

The amendment provides the clarification that biological assets that meet the definition of bearer plants are accounted for as fixed assets; definition, recognition and measurement of the bearer plant shall be made in accordance with the relevant standard.

- Amendment to SFAS 46 "Income Taxes"

The amendments clarify the requirements for recognising deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment also clarify certain other aspects of accounting for deferred tax assets.

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2. DASAR PENYUSUNAN (lanjutan)

c. Perubahan kebijakan akuntansi (lanjutan)

- Amandemen PSAK 53 "Pembayaran Berbasis Saham"

Amandemen ini mengklarifikasi basis pengukuran untuk pembayaran berbasis saham yang diselesaikan dengan kas dan akuntansi untuk modifikasi transaksi pembayaran berbasis saham yang sebelumnya diklasifikasikan dari imbalan yang diselesaikan dengan kas menjadi imbalan yang diselesaikan dengan instrument ekuitas. Amandemen ini juga memperkenalkan sebuah pengecualian terhadap prinsip pada PSAK 53 yang mengharuskan suatu penghargaan diakui seakan-akan seluruhnya akan diselesaikan melalui pembayaran berbasis saham, ketika pemberi kerja diwajibkan untuk memotong pajak penghasilan pekerja terkait dengan pembayaran berbasis saham dan membayarkannya kepada otoritas pajak.

- Penyesuaian Tahunan PSAK 67 "Pengungkapan Kepentingan dalam Entitas Lain"

Amandemen tersebut berlaku untuk kepentingan di entitas yang dikategorikan sebagai dimiliki untuk dijual kecuali untuk ringkasan informasi keuangan. Tujuan dari PSAK 67 adalah untuk memberikan informasi mengenai sifat dari kepentingan di entitas lain, risiko yang terasosiasi dengan kepentingan dan efek dari kepentingan tersebut untuk laporan keuangan.

Standar baru, amandemen dan interpretasi yang telah diterbitkan, namun belum berlaku efektif untuk tahun buku yang dimulai pada 1 Januari 2019 adalah sebagai berikut :

- ISAK 33 "Transaksi valuta asing dan imbalan di muka"
- ISAK 34 "Ketidakpastian dalam perlakuan pajak penghasilan"

Standar dan interpretasi standar akuntansi baru tertentu telah dikeluarkan tetapi tidak wajib diterapkan pada tahun yang berakhir 31 Desember 2018 dan belum diterapkan secara dini oleh Bank. Bank telah mengkaji dampak dari standar dan interpretasi tersebut sebagaimana dijabarkan di bawah ini:

- PSAK 71 "Instrumen Keuangan"

PSAK 71 membahas klasifikasi, pengukuran dan penghentian pengakuan dari aset dan liabilitas keuangan, memperkenalkan aturan baru untuk akuntansi lindung nilai dan model penurunan nilai baru untuk aset keuangan.

Standar ini harus diterapkan pada tahun yang dimulai pada atau setelah tanggal 1 Januari 2020. Penerapan dini diperbolehkan.

2. BASIS OF PREPARATION (continued)

c. Changes in accounting policies (continued)

- Amendment to SFAS 53 "Shared Based Payments"

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash settled to equity-settled. It also introduces an exception to the principles in SFAS 53 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- Annual Improvements to SFAS 67 "Disclosures of Interests in Other Entities"

The amendment is applicable to interests in entities classified as held-for-sale except for summarised financial information. The objective of SFAS 67 was to provide information about the nature of interests in other entities, risks associated with these interests, and the effect of these interests on financial statements.

New standards, amendments and interpretations issued but effective for the financial year beginning 1 January 2019 are as follows :

- ISFAS 33 "Foreign currency transactions and advance consideration"
- ISFAS 34 "Uncertainty over income tax treatments"

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2018 and have not been early adopted by the Bank. The Bank has assessed the impact of these new standards and interpretations as set out below:

- SFAS 71 "Financial Instruments"

SFAS 71 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

This standard must be applied for financial years commencing on or after 1 January 2020. Early adoption is permitted.

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2. DASAR PENYUSUNAN (lanjutan)

c. Perubahan kebijakan akuntansi (lanjutan)

Standar dan interpretasi standar akuntansi baru tertentu telah dikeluarkan tetapi tidak wajib diterapkan pada tahun yang berakhir 31 Desember 2018 dan belum diterapkan secara dini oleh Bank. Bank telah mengkaji dampak dari standar dan interpretasi tersebut sebagaimana dijabarkan di bawah ini: (lanjutan)

- PSAK 72 "Pendapatan dari kontrak dengan pelanggan"

Sebuah standar untuk pengakuan penghasilan telah diterbitkan. Standar ini akan menggantikan PSAK 23 yang mengatur kontrak untuk barang dan jasa dan PSAK 34 yang mengatur kontrak konstruksi. Standar baru ini didasarkan oleh prinsip bahwa penghasilan diakui ketika kontrol atas barang atau jasa dialihkan ke pelanggan.

Standar mengizinkan pendekatan retrospektif penuh atau retrospektif modifikasi untuk penerapan.

Standar ini harus diterapkan pada tahun yang dimulai pada atau setelah tanggal 1 Januari 2020. Penerapan dini diperbolehkan.

PSAK 72 menetapkan prinsip untuk mengakui pendapatan dan memperkenalkan konsep pengakuan pendapatan ketika (atau selama) entitas menyelesaikan kewajiban pelaksanaan.

Bank akan melakukan penerapan dini Pernyataan tersebut pada tanggal 1 Januari 2019, bersamaan dengan penerapan dini PSAK 73 "Sewa". Bank melakukan penerapan dini dengan menggunakan pendekatan secara retrospektif modifikasi, mengakui dampak kumulatif, jika ada, pada awal penerapan Pernyataan ini sebagai penyesuaian pada saldo awal dari saldo laba yang ditahan.

Bank telah mengevaluasi dampak PSAK 72 dan menyatakan bahwa ruang lingkup pernyataan ini yang berdampak pada Bank terbatas pada pendapatan yang diperoleh dari kontrak dengan pelanggan yang diklasifikasi dalam Pendapatan provisi dan komisi bersih dalam Laporan Laba Rugi, karena sebagian besar pos-pos lain berada dalam lingkup PSAK 55 (seperti, Pendapatan bunga bersih, Pendapatan instrumen yang diperdagangkan bersih). Bank mengevaluasi bahwa konsep pengakuan pendapatan 'fee' saat ini berdasarkan penyelesaian jasa dan tindakan signifikan secara substansi adalah sama dengan konsep pengakuan pendapatan berdasarkan penyelesaian kewajiban pelaksanaan. Demikian Bank menetapkan bahwa Pernyataan ini tidak akan berdampak signifikan saat diterapkan pada Laporan Keuangan Bank dikarenakan yang dihasilkan dari pengakuan pendapatan ini adalah sama dengan perlakuan saat ini.

2. BASIS OF PREPARATION (continued)

c. Changes in accounting policies (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2018 and have not been early adopted by the Bank. The Bank has assessed the impact of these new standards and interpretations as set out below: (continued)

- SFAS 72 "Revenue from contracts with customers"

A new standard for the recognition of revenue has been issued. This will replace SFAS 23 which covers contracts for goods and services and SFAS 34 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

This standard must be applied for financial years commencing on or after 1 January 2020. Early adoption is permitted.

SFAS 72 provides a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue for performance obligations as they are satisfied.

The Bank will early adopt the standard on 1 January 2019, at the same time as the Bank will also early adopt SFAS 73 "Leases". The Bank expects to early adopt the standard on a modified retrospective basis, recognising the cumulative effect, if any, of initially applying the standard as an adjustment to the opening balance of retained earnings.

The Bank has assessed the impact of SFAS 72 and concluded that the scope for the Bank is limited to revenue arising from contracts with customers which are classified within Net Fees and Commissions on the face of the Income Statement, as most line items are covered by SFAS 55 (e.g. net interest income, net trading income). The Bank assessed that the current fee revenue recognition concept on the basis of completion of services and significant acts is substantially similar to the concept of revenue recognition that relates to satisfying the performance obligation. The Bank therefore expects that the standard will have no significant effect, when applied, on the financial statements of the Bank since the outcomes for revenue recognition are very similar to current practice.

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2. DASAR PENYUSUNAN (lanjutan)

c. Perubahan kebijakan akuntansi (lanjutan)

Standar dan interpretasi standar akuntansi baru tertentu telah dikeluarkan tetapi tidak wajib diterapkan pada tahun yang berakhir 31 Desember 2018 dan belum diterapkan secara dini oleh Bank. Bank telah mengkaji dampak dari standar dan interpretasi tersebut sebagaimana dijabarkan di bawah ini: (lanjutan)

- PSAK 73 "Sewa"

PSAK 73 disahkan di September 2017. Hal ini akan berdampak pada hampir seluruh sewa yang diakui di laporan posisi keuangan, karena perbedaan antara sewa operasi dan pembiayaan dihapuskan. Dalam standar yang baru, sebuah aset (hak guna atas barang yang disewakan) dan liabilitas keuangan untuk membayar sewa diakui. Pengecualian hanya terdapat pada sewa jangka pendek dan yang bernilai rendah.

Standar ini harus diterapkan pada tahun yang dimulai pada atau setelah tanggal 1 Januari 2020. Penerapan dini diperbolehkan khusus bagi entitas yang telah menerapkan PSAK 72 yang berlaku efektif pada atau setelah 1 Januari 2020.

Bank akan melakukan penerapan dini Pernyataan tersebut pada 1 Januari 2019 bersamaan dengan penerapan PSAK 72.

PSAK 73 menetapkan Akuntansi Penyewa untuk sebagian besar sewa dalam cakupan Pernyataan ini sama seperti perlakuan akuntansi untuk sewa pembiayaan dalam Pernyataan PSAK 30 'Sewa'. Penyewa disyaratkan untuk mengakui aset hak-guna dan liabilitas keuangan sewa pada neraca. Penyewa menyusutkan aset hak-guna selama masa sewa, dan liabilitas keuangan sewa diukur pada biaya diamortisasi. Akuntansi Pesewa secara substansial tetap meneruskan persyaratan dalam PSAK 30.

Bank menetapkan untuk melakukan penerapan dini Pernyataan ini menggunakan pendekatan secara retrospektif modifikasi dimana dampak kumulatif pada awal penerapan Pernyataan ini diakui sebagai penyesuaian pada saldo awal dari saldo laba yang ditahan dan informasi komparatif tidak disajikan kembali. Implementasi Pernyataan ini diperkirakan akan meningkatkan aset sekitar Rp 390 milyar dan meningkatkan liabilitas keuangan sebesar jumlah yang sama tanpa mempengaruhi nilai aset bersih ataupun saldo laba yang ditahan.

2. BASIS OF PREPARATION (continued)

c. Changes in accounting policies (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2018 and have not been early adopted by the Bank. The Bank has assessed the impact of these new standards and interpretations as set out below: (continued)

- SFAS 73 "Leases"

SFAS 73 was issued in September 2017. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

This standard must be applied for financial years commencing on or after 1 January 2020. Early adoption is permitted only for entities that apply SFAS 72 which has an effective date on or after 1 January 2020.

The Bank expects to early adopt the standard on 1 January 2019 at the same time as the adoption of SFAS 72.

SFAS 73 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under SFAS 30 'Leases'. Lessees will recognise a right of use ('RoU') asset and a corresponding financial lease liability on the balance sheet. The asset will be amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as under SFAS 30.

The Bank expects to early adopt the standard using a modified retrospective approach where the cumulative effect of initially applying it is recognised as an adjustment to the opening balance of retained earnings and comparatives are not restated. The implementation is expected to increase assets by approximately Rp 390 billion and increase financial liabilities by the same amount with no effect on net assets or retained earnings.

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3. IKHTISAR KEBIJAKAN AKUNTANSI YANG PENTING

Kebijakan-kebijakan akuntansi yang penting yang diterapkan dalam penyusunan laporan keuangan Bank adalah sebagai berikut:

a. Aset keuangan dan liabilitas keuangan

Aset keuangan Bank terutama terdiri dari kas, giro pada Bank Indonesia, giro pada bank-bank lain, penempatan pada Bank Indonesia dan bank-bank lain, efek-efek untuk tujuan investasi, aset keuangan dalam kelompok diperdagangkan, tagihan derivatif, efek-efek yang dibeli dengan janji dijual kembali, wesel ekspor, tagihan akseptasi, kredit yang diberikan kepada nasabah, dan aset keuangan lainnya yang disajikan sebagai bagian dari aset lain-lain.

Liabilitas keuangan Bank terutama terdiri dari simpanan dari nasabah, simpanan dari bank-bank lain, liabilitas yang diukur pada nilai wajar melalui laba rugi, utang akseptasi, efek-efek yang dijual dengan janji dibeli kembali, beban akrual, pinjaman yang diterima, pinjaman subordinasi dan liabilitas keuangan lainnya yang disajikan sebagai bagian dari liabilitas lain-lain.

Bank mengelompokkan aset keuangannya dalam kategori berikut pada saat pengakuan awal:

- i. Diukur pada nilai wajar melalui laba rugi, yang memiliki 2 sub-klasifikasi, yaitu aset keuangan yang ditetapkan demikian pada saat pengakuan awal dan aset keuangan yang diklasifikasikan dalam kelompok diperdagangkan;
- ii. Tersedia untuk dijual;
- iii. Dimiliki hingga jatuh tempo;
- iv. Pinjaman yang diberikan dan piutang.

Liabilitas keuangan dikelompokkan ke dalam kategori berikut pada saat pengakuan awal:

- i. Diukur pada nilai wajar melalui laba rugi, yang memiliki 2 sub-klasifikasi, yaitu liabilitas keuangan yang ditetapkan demikian pada saat pengakuan awal dan liabilitas keuangan yang diklasifikasikan dalam kelompok diperdagangkan;
- ii. Liabilitas keuangan yang diukur pada biaya perolehan diamortisasi.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the Bank's financial statements were as follows:

a. Financial assets and liabilities

The Bank's financial assets mainly consist of cash, demand deposits with Bank Indonesia, demand deposits with other banks, placements with Bank Indonesia and other banks, investment securities, financial assets held for trading, derivative receivables, securities purchase with agreement to resell, export bills, acceptance receivables, loans to customers, and other financial assets that are presented as part of other assets.

The Bank's financial liabilities mainly consist of deposits from customers, deposits from other banks, liabilities at fair value through profit or loss, acceptance payables, securities sold with agreement to repurchase, accruals, borrowings, subordinated debts and other financial liabilities that are presented as part of other liabilities.

The Bank classified its financial assets in the following categories on initial recognition:

- i. Fair value through profit or loss, which has 2 sub-classifications, i.e. financial assets designated as such upon initial recognition and financial assets classified as held for trading;*
- ii. Available-for-sale;*
- iii. Held-to-maturity;*
- iv. Loans and receivables.*

Financial liabilities are classified into the following categories on initial recognition:

- i. Fair value through profit or loss, which has 2 sub-classifications, i.e. those designated as such upon initial recognition and those classified as held for trading;*
- ii. Financial liabilities measured at amortised cost.*

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**a. Aset keuangan dan liabilitas keuangan
(lanjutan)**

a.1. Klasifikasi

Kategori tersedia untuk dijual terdiri dari aset keuangan non-derivatif yang ditetapkan sebagai tersedia untuk dijual atau yang tidak dikelompokkan ke dalam salah satu kategori aset keuangan lainnya.

Di dalam kategori dimiliki hingga jatuh tempo adalah aset keuangan non-derivatif dengan pembayaran tetap atau telah ditentukan dan jatuh temponya telah ditetapkan dimana Bank mempunyai intensi positif dan kemampuan untuk memiliki hingga jatuh tempo, dan yang tidak ditetapkan pada nilai wajar melalui laba rugi atau tersedia untuk dijual. Pada tanggal 31 Desember 2018 dan 2017, Bank tidak memiliki aset keuangan yang diklasifikasikan sebagai dimiliki hingga jatuh tempo.

Pinjaman yang diberikan dan piutang adalah aset keuangan non-derivatif dengan pembayaran tetap atau dapat ditentukan yang tidak mempunyai kuotasi di pasar aktif.

a.2. Pengakuan

Pembelian dan penjualan aset keuangan yang lazim (*regular*) diakui pada tanggal perdagangan dimana Bank memiliki komitmen untuk membeli atau menjual aset tersebut.

Pada saat pengakuan awal, aset keuangan atau liabilitas keuangan diukur pada nilai wajar ditambah/dikurang (untuk *item* yang tidak diukur pada nilai wajar melalui laporan laba rugi setelah pengakuan awal) biaya transaksi (jika ada) yang dapat diatribusikan secara langsung atas perolehan aset keuangan atau penerbitan liabilitas keuangan. Pengukuran aset keuangan dan liabilitas keuangan setelah pengakuan awal tergantung pada klasifikasi aset keuangan dan liabilitas keuangan tersebut.

Biaya transaksi hanya meliputi biaya-biaya yang dapat diatribusikan secara langsung untuk perolehan suatu aset keuangan atau penerbitan suatu liabilitas keuangan dan merupakan biaya tambahan yang tidak akan terjadi apabila instrumen keuangan tersebut tidak diperoleh atau diterbitkan. Biaya transaksi tersebut diamortisasi selama umur instrumen berdasarkan metode suku bunga efektif dan dicatat sebagai bagian dari pendapatan bunga untuk biaya transaksi sehubungan dengan aset keuangan atau sebagai bagian dari beban bunga untuk biaya transaksi sehubungan dengan liabilitas keuangan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

a. Financial assets and liabilities (continued)

a.1. Classification

The available-for-sale category consists of non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. As of 31 December 2018 and 2017, the Bank does not have any financial assets classified as held-to-maturity.

In the held-to-maturity category are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. As of 31 December 2018 and 2017, the Bank does not have any financial assets classified as held-to-maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

a.2. Recognition

Regular way of purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell those assets.

A financial asset or financial liability is initially measured at fair value plus/less (for an item not subsequently measured at fair value through profit or loss) transaction costs (if any) that are directly attributable to the acquisition of financial asset or issuance of financial liability. The subsequent measurement of financial assets and financial liabilities depends on their classification.

Transaction costs only include those costs that are directly attributable to the acquisition of a financial asset or issuance of a financial liability and are incremental costs that would not have been incurred if the financial instrument had not been acquired or issued. Such transaction costs are amortised over the terms of the instruments based on the effective interest method and are recorded as part of interest income for transaction costs related to financial assets or interest expenses for transaction costs related to financial liabilities.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**a. Aset keuangan dan liabilitas keuangan
(lanjutan)**

a.3. Penghentian pengakuan

Bank menghentikan pengakuan aset keuangan pada saat hak kontraktual atas arus kas yang berasal dari aset keuangan tersebut kadaluwarsa, atau Bank mentransfer seluruh hak untuk menerima arus kas kontraktual dari aset keuangan dalam transaksi dimana Bank secara substansial telah mentransfer seluruh risiko dan manfaat atas kepemilikan aset keuangan yang ditransfer. Setiap hak atau kewajiban atas aset keuangan yang ditransfer yang timbul atau yang masih dimiliki oleh Bank diakui sebagai aset atau liabilitas secara terpisah.

Bank menghentikan pengakuan liabilitas keuangan pada saat kewajiban yang ditetapkan dalam kontrak dilepaskan atau dibatalkan atau kadaluwarsa.

Bank menghapusbukkan saldo kredit dan efek untuk tujuan investasi, dan penyisihan kerugian penurunan nilai terkait, pada saat Bank menentukan bahwa kredit atau efek-efek tersebut tidak dapat ditagih. Keputusan ini diambil setelah mempertimbangkan informasi seperti telah terjadinya perubahan signifikan pada posisi keuangan debitur/penerbit sehingga debitur/penerbit tidak lagi dapat melunasi kewajibannya, atau hasil penjualan agunan tidak akan cukup untuk melunasi seluruh eksposur yang diberikan. Selisih lebih nilai tercatat kredit yang diberikan atas arus kas masuk dari eksekusi jaminan dibebankan sebagai kerugian penurunan nilai dalam laba rugi tahun berjalan.

a.4. Saling hapus

Aset keuangan dan liabilitas keuangan disalinghapuskan dan jumlah netonya dilaporkan pada laporan posisi keuangan ketika terdapat hak yang berkekuatan hukum untuk melakukan saling hapus atas jumlah yang telah diakui tersebut dan adanya niat untuk menyelesaikan secara neto, atau untuk merealisasikan aset dan menyelesaikan liabilitas secara bersamaan. Hak saling hapus tidak kontingen atas peristiwa di masa depan dan dapat dipaksakan secara hukum dalam situasi bisnis yang normal dan dalam peristiwa gagal bayar, atau peristiwa kepailitan atau kebangkrutan Bank atau pihak lawan.

a.5. Pengukuran biaya perolehan diamortisasi

Aset atau liabilitas keuangan yang diukur dengan biaya perolehan diamortisasi adalah jumlah aset atau liabilitas keuangan yang diukur pada saat pengakuan awal, dikurangi pembayaran pokok, ditambah atau dikurangi dengan amortisasi kumulatif dengan menggunakan metode suku bunga efektif yang dihitung dari selisih antara nilai awal dan nilai jatuh temponya, dan dikurangi penyisihan kerugian penurunan nilai.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

a. Financial assets and liabilities (continued)

a.3. Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Bank transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which the Bank has substantially transfer all the risks and rewards of ownership of the financial asset. Any rights or obligation in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Bank writes off a loan and investment security balance, and any related allowance for impairment losses, when the Bank determines that the loan or security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the debtor's/issuer's financial position such that the debtor/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Any excess of loans carrying amount over the cash flow from collateral execution is charged to impairment loss in the current year profit or loss.

a.4. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default in solvency or bankruptcy of the Bank or the counterparty.

a.5. Amortised cost measurement

Financial assets or liabilities measured at amortised cost is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, and minus any reduction for impairment.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**a. Aset keuangan dan liabilitas keuangan
(lanjutan)**

a.6. Pengukuran nilai wajar

Nilai wajar adalah harga yang akan diterima untuk menjual suatu aset atau harga yang akan dibayar untuk mengalihkan suatu liabilitas dalam transaksi teratur (*orderly transaction*) antara pelaku pasar (*market participants*) pada tanggal pengukuran di pasar utama atau, jika tidak terdapat pasar utama, di pasar yang paling menguntungkan dimana Bank memiliki akses pada tanggal tersebut. Nilai wajar liabilitas mencerminkan risiko wanprestasinya.

Jika tersedia, Bank mengukur nilai wajar instrumen menggunakan harga kuotasian di pasar aktif untuk instrumen tersebut.

Instrumen keuangan dianggap memiliki kuotasi di pasar aktif jika harga kuotasian tersedia sewaktu-waktu dan dapat diperoleh secara rutin dari bursa, pedagang efek (*dealer*), perantara efek (*broker*), kelompok industri, badan pengawas (*pricing service* atau *regulatory agency*), dan harga tersebut mencerminkan transaksi pasar yang aktual dan rutin dalam suatu transaksi yang wajar. Jika kriteria di atas tidak terpenuhi, maka pasar aktif dinyatakan tidak tersedia. Indikasi-indikasi dari pasar tidak aktif adalah terdapat selisih yang besar antara harga penawaran dan permintaan atau kenaikan signifikan dalam selisih harga penawaran dan permintaan atau hanya terdapat beberapa transaksi terkini.

Bukti terbaik atas nilai wajar instrumen keuangan pada saat pengakuan awal adalah harga transaksi, yaitu nilai wajar dari pembayaran yang diberikan atau diterima. Jika Bank menetapkan bahwa nilai wajar pada pengakuan awal berbeda dengan harga transaksi dan nilai wajar tidak dapat dibuktikan dengan harga kuotasian di pasar aktif untuk aset atau liabilitas yang sejenis atau berdasarkan teknik penilaian yang hanya menggunakan data dari pasar yang dapat diobservasi, maka nilai wajar instrumen keuangan pada saat pengakuan awal disesuaikan untuk menanggulangi perbedaan antara nilai wajar pada saat pengakuan awal dan harga transaksi. Setelah pengakuan awal, perbedaan tersebut diamortisasi dan diakui dalam laba rugi sepanjang umur dari instrumen tersebut.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

a. Financial assets and liabilities (continued)

a.6. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is amortised and recognised in profit or loss on over the life of the instrument.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**a. Aset keuangan dan liabilitas keuangan
(lanjutan)**

a.6. Pengukuran nilai wajar (lanjutan)

Untuk instrumen keuangan yang tidak mempunyai harga pasar, estimasi atas nilai wajar ditetapkan dengan mengacu pada nilai wajar instrumen lain yang substansinya sama atau dihitung berdasarkan arus kas yang diharapkan terhadap aset bersih efek-efek tersebut.

Nilai wajar untuk semua instrumen keuangan lainnya ditentukan dengan menggunakan teknik penilaian. Dengan teknik ini, nilai wajar merupakan suatu estimasi yang dihasilkan dari data yang diobservasi dari instrumen keuangan yang sama, menggunakan model-model untuk mendapatkan estimasi nilai kini dari arus kas masa depan yang diharapkan atau teknik penilaian lainnya menggunakan *input* (sebagai contoh LIBOR *yield curve*, nilai tukar mata uang asing, volatilitas, dan *counterparty spreads*) yang tersedia pada tanggal laporan posisi keuangan.

b. Giro pada Bank Indonesia dan bank-bank lain

Giro pada Bank Indonesia dan giro pada bank-bank lain dicatat pada biaya perolehan diamortisasi dengan menggunakan metode suku bunga efektif.

c. Penempatan pada Bank Indonesia dan bank-bank lain

Penempatan pada Bank Indonesia dan bank-bank lain pada awalnya diukur pada nilai wajar ditambah biaya transaksi (jika ada) yang dapat diatribusikan secara langsung dan merupakan biaya tambahan untuk memperoleh aset keuangan tersebut, dan setelah pengakuan awal diukur pada biaya perolehan diamortisasi menggunakan metode suku bunga efektif.

d. Kredit yang diberikan kepada nasabah

Kredit yang diberikan kepada nasabah adalah penyediaan uang atau tagihan yang dapat disetarakan dengan kas, berdasarkan persetujuan atau kesepakatan pinjam-meminjam dengan debitur yang mewajibkan debitur untuk melunasi utang berikut bunganya setelah jangka waktu tertentu.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

a. Financial assets and liabilities (continued)

a.6. Fair value measurement (continued)

For financial instruments with no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instruments which substantially have the same characteristic or calculated based on the expected cash flows of the underlying net asset base of the marketable securities.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques using inputs (for example, LIBOR *yield curve*, foreign exchange rates, volatilities, and *counterparty spreads*) existing at the date of the statement of financial position.

b. Demand deposits with Bank Indonesia and other banks

Demand deposits with Bank Indonesia and other banks are carried at amortised cost using the effective interest method.

c. Placements with Bank Indonesia and other banks

Placements with Bank Indonesia and other banks are initially measured at fair value plus incremental direct transaction costs (if any), and subsequently measured at their amortised cost using the effective interest method.

d. Loans to customers

Loans to customers represent provision of cash or cash equivalent based on agreements with debtors, where debtors are required to repay their debts with interest after a specified period.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**d. Kredit yang diberikan kepada nasabah
(lanjutan)**

Kredit yang diberikan kepada nasabah pada awalnya diukur pada nilai wajar ditambah biaya atau pendapatan transaksi yang dapat diatribusikan secara langsung (jika ada), dan setelah pengakuan awal diukur pada biaya perolehan diamortisasi menggunakan metode suku bunga efektif.

Jenis kredit yang diberikan terdiri dari kredit modal kerja, investasi, konsumsi dan karyawan.

Kredit dalam rangka pembiayaan bersama (kredit sindikasi) dinyatakan sebesar biaya perolehan diamortisasi sesuai dengan porsi risiko yang ditanggung oleh Bank.

Restrukturisasi pinjaman debitur yang mengalami kesulitan dalam memenuhi kewajibannya, dilakukan antara lain melalui perpanjangan jangka waktu pinjaman dan perubahan fasilitas pinjaman.

Kerugian yang timbul dari restrukturisasi pinjaman yang berkaitan dengan modifikasi persyaratan pinjaman diakui bila nilai sekarang dari jumlah penerimaan kas yang akan datang yang telah ditentukan dalam persyaratan pinjaman yang baru, termasuk penerimaan yang diperuntukkan sebagai bunga maupun pokok, adalah lebih kecil dari nilai pinjaman yang diberikan yang tercatat sebelum restrukturisasi.

e. Efek-efek yang dibeli dengan janji dijual kembali

Efek-efek yang dibeli dengan janji dijual kembali (*reverse repo*) yang dimiliki Bank dengan tujuan untuk memperoleh arus kas kontraktual dengan janji untuk dijual kembali pada waktu dan harga yang telah ditentukan, bukan dengan tujuan untuk diperdagangkan, disajikan sebagai tagihan sebesar harga jual yang telah disepakati, dikurangi dengan selisih antara harga beli dan harga jual yang telah disepakati. Selisih antara harga beli dan harga jual kembali yang disepakati tersebut diamortisasi sebagai pendapatan bunga selama jangka waktu sejak efek-efek itu dibeli hingga saat dijual kembali dengan menggunakan metode suku bunga efektif. Efek-efek yang mendasari transaksi *reverse repo* tidak diakui di laporan posisi keuangan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

d. Loans to customers (continued)

Loans to customers are initially measured at fair value plus incremental direct transaction costs or income (if any), and subsequently measured at their amortised cost using the effective interest method.

The types of loans consist of working capital, investment, consumer and employee loans.

Syndicated loans are stated at amortised cost in accordance with the risk borne by the Bank.

Loan restructuring for debtors facing difficulties in fulfilling their obligation, is done through extension of loan period and changes of loan facilities.

Losses on loan restructuring in respect of modification of the terms of the loans are recognised only if the present value of total future cash receipts specified by the new terms of the loans, including both receipts designated as interest and those designated as loan principal, are less than the carrying amount of loans before restructuring.

e. Securities purchased with agreement to resell

Securities purchased with agreement to resell (reverse repo) which are held by the Bank in order to collect contractual cash flows with a promise of reselling it at a predetermined time and price, rather than intention for trading, are presented as receivable at the agreed resale price less the difference between the purchase price and the agreed resale price. The difference between the purchase price and the agreed resale price is amortised as interest income over the period commencing from the acquisition date to the resale date using the effective interest rate method. The underlying securities on reverse repo transactions are not recognised at the statement of financial position.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

f. Aset dan liabilitas yang diukur pada nilai wajar melalui laba rugi

Aset dan liabilitas yang diukur pada nilai wajar melalui laba rugi terdiri dari aset dan liabilitas untuk diperdagangkan dan derivatif yang digunakan untuk tujuan manajemen risiko tapi karena beberapa alasan tidak memenuhi kriteria akuntansi lindung nilai. Aset dan liabilitas yang diukur pada nilai wajar melalui laba rugi diakui dan diukur pada nilai wajar di laporan posisi keuangan pada saat pengakuan awal dan setelah pengakuan awal, dengan biaya transaksi yang terjadi diakui langsung di dalam laba rugi. Semua perubahan nilai wajar aset dan liabilitas yang diukur pada nilai wajar melalui laba rugi diakui di dalam laba rugi tahun berjalan. Aset dan liabilitas yang diukur pada nilai wajar melalui laba rugi tidak direklasifikasi setelah pengakuan awal.

g. Tagihan dan utang akseptasi

Tagihan dan utang akseptasi dicatat pada biaya perolehan diamortisasi.

h. Efek-efek untuk tujuan investasi

Efek-efek untuk tujuan investasi terdiri dari Sertifikat Bank Indonesia (SBI), Surat Perbendaharaan Negara (SPN), obligasi pemerintah, dan sukuk.

Efek-efek untuk tujuan investasi diklasifikasikan sebagai aset keuangan yang tersedia untuk dijual dan pada awalnya diukur pada nilai wajar ditambah biaya transaksi (jika ada). Setelah pengakuan awal, efek-efek untuk tujuan investasi dinyatakan pada nilai wajar.

Pendapatan bunga diakui dalam laporan laba rugi menggunakan metode suku bunga efektif. Laba atau rugi selisih kurs atas efek-efek untuk tujuan investasi diakui pada laba rugi tahun berjalan.

Perubahan nilai wajar lainnya diakui dalam penghasilan komprehensif lain sampai investasi tersebut dijual atau mengalami penurunan nilai, dimana keuntungan dan kerugian kumulatif yang belum direalisasi yang sebelumnya diakui dalam penghasilan komprehensif lain harus diakui pada laba rugi tahun berjalan berdasarkan metode rata-rata tertimbang.

Perubahan nilai wajar aset moneter yang didenominasikan dalam mata uang asing yang diklasifikasikan sebagai tersedia untuk dijual dipisahkan antara selisih penjabaran yang timbul dari perubahan biaya perolehan diamortisasi efek dan perubahan nilai tercatat efek lainnya. Selisih penjabaran terkait dengan perubahan biaya perolehan diamortisasi diakui di dalam laporan laba rugi, dan perubahan nilai tercatat lainnya diakui pada penghasilan komprehensif lainnya.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

f. Assets and liabilities at fair value through profit or loss

Assets and liabilities at fair value through profit or loss consist of assets and liabilities held for trading and derivatives used for risk management purposes but which for various reasons do not meet the qualifying criteria for hedge accounting. Assets and liabilities at fair value through profit or loss are initially and subsequently recognised and measured at fair value in the statement of financial position, with transaction costs recognised directly in profit or loss. All changes in the fair value of assets and liabilities at fair value through profit or loss are recognised in profit or loss for the year. Assets and liabilities at fair value through profit or loss are not reclassified subsequent to their initial recognition.

g. Acceptance receivables and payables

Acceptance receivables and payables are carried at amortised cost.

h. Investment securities

Investment securities consist of Certificates of Bank Indonesia, Treasury Bills, government bonds, and sukuk.

Investment securities are classified as available-for-sale, and initially measured at fair value plus transaction costs (if any). Subsequent to initial measurement, investment securities are carried at fair value.

Interest income is recognised in the profit or loss using the effective interest method. Foreign exchange gains or losses on investment securities are recognised in the profit or loss for the year.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, where upon the cumulative unrealised gains and losses previously recognised in other comprehensive income are recognised in the profit or loss for the year based on a weighted average method.

Changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

h. Efek-efek untuk tujuan investasi (lanjutan)

Investasi pada sukuk

Bank mengklasifikasikan investasi pada sukuk sebagai diukur pada nilai wajar melalui penghasilan komprehensif lain sesuai dengan PSAK No. 110 (revisi 2015), "Akuntansi Sukuk". Investasi pada sukuk diklasifikasikan sebagai diukur pada nilai wajar melalui penghasilan komprehensif lain jika:

- Investasi tersebut dimiliki dalam suatu model usaha yang bertujuan utama untuk memperoleh arus kas kontraktual dan melakukan penjualan sukuk; dan
- Persyaratan kontraktual menentukan tanggal tertentu pembayaran pokok dan/atau hasilnya.

Pada saat pengakuan awal, Bank mencatat investasi pada sukuk sebesar biaya perolehan ditambah biaya transaksi yang dapat diatribusikan secara langsung untuk perolehan investasi pada sukuk. Setelah pengakuan awal, investasi pada sukuk yang diukur pada nilai wajar melalui penghasilan komprehensif lain dinyatakan sebesar nilai wajar. Selisih antara biaya perolehan dan nilai nominal diamortisasi secara garis lurus selama jangka waktu sukuk dan diakui dalam laba rugi. Keuntungan atau kerugian dari perubahan nilai wajar diakui dalam penghasilan komprehensif lain.

i. Penjabaran transaksi dan saldo dalam valuta asing

Transaksi-transaksi dalam valuta asing dijabarkan ke dalam Rupiah, mata uang fungsional Bank, dengan menggunakan kurs pada tanggal transaksi.

Saldo akhir tahun aset dan liabilitas moneter dalam valuta asing dijabarkan ke dalam Rupiah dengan kurs tengah Reuters pukul 16:00 WIB.

Seluruh keuntungan dan kerugian selisih kurs yang diakui dalam laporan laba rugi disajikan bersih dalam laporan laba rugi.

Kurs valuta asing utama pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

	Valuta asing	2018 Rupiah penuh/ Rupiah full amount	2017 Rupiah penuh/ Rupiah full amount	Foreign currencies	
1	Dolar Amerika Serikat (USD)	14.380,00	13.567,50	United States Dollar (USD)	1
1	Dolar Australia (AUD)	10.162,35	10.594,19	Australian Dollar (AUD)	1
1	Dolar Singapura (SGD)	10.554,91	10.154,56	Singapore Dollar (SGD)	1
1	Dolar Hong Kong (HKD)	1.836,28	1.736,21	Hong Kong Dollar (HKD)	1
1	Pound Inggris (GBP)	18.311,50	18.325,62	British Pound (GBP)	1
100	Yen Jepang (JPY)	13.062,00	12.052,00	Japanese Yen (JPY)	100
1	Euro (EUR)	16.440,66	16.236,23	Euro (EUR)	1

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

h. Investment securities (continued)

Investments in sukuk

The Bank classifies all investment in sukuk as measured at fair value through other comprehensive income in accordance with SFAS No. 110 (revised 2015), "Accounting for Sukuk". The investments in sukuk are classified as measured at fair value through other comprehensive income if:

- Such investment is held in a business model whose objective is to collect contractual cash flows and to sell sukuk; and
- The contractual terms of the financial asset give rise on specified dates of payments of principals and/or the margin.

At initial recognition, the Bank records investments in sukuk at acquisition cost plus directly attributable transaction costs. Subsequent to initial recognition, investments in sukuk measured at fair value through other comprehensive income are stated at fair value. Difference between acquisition cost and nominal value is amortised using straight line during the sukuk time period and recognised in profit or loss. Gain or loss from fair value changes recognised in other comprehensive income.

i. Foreign currency transactions and balances

Transactions in foreign currencies are translated into Rupiah, the Bank's functional currency, using the spot exchange rate on the date of transaction.

Year-end balances of monetary assets and liabilities in foreign currencies were translated into Rupiah using the Reuters middle rates at 16:00 Western Indonesian Time.

All foreign exchange gains and losses recognised in the statement of profit or loss are presented net in the statement of profit or loss.

The major rates of foreign exchange used as of 31 December 2018 and 2017 were as follows

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
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j. Transaksi dengan pihak-pihak berelasi

Bank melakukan transaksi dengan pihak berelasi. Sesuai dengan PSAK 7 (Revisi 2015) - Pengungkapan Pihak-pihak Berelasi, yang dimaksud dengan pihak berelasi adalah orang atau entitas yang berelasi dengan entitas pelapor sebagai berikut:

- a. Orang atau anggota keluarga terdekatnya berelasi dengan entitas pelapor jika orang tersebut:
 - i. memiliki pengendalian atau pengendalian bersama terhadap entitas pelapor;
 - ii. memiliki pengaruh signifikan terhadap entitas pelapor; atau
 - iii. personal manajemen kunci entitas pelapor atau entitas induk pelapor;
- b. Suatu entitas berelasi dengan entitas pelapor jika memenuhi hal-hal sebagai berikut:
 - i. entitas dan entitas pelapor adalah anggota dari kelompok usaha yang sama (artinya entitas induk, entitas anak dan entitas anak berikutnya terkait dengan entitas lain);
 - ii. suatu entitas adalah entitas asosiasi atau ventura bersama bagi entitas lain (atau entitas asosiasi atau ventura bersama yang merupakan anggota suatu kelompok usaha, dimana entitas lain tersebut adalah anggotanya);
 - iii. kedua entitas tersebut adalah ventura bersama dari pihak ketiga yang sama;
 - iv. suatu entitas adalah ventura bersama dari entitas ketiga dan entitas yang lain adalah entitas asosiasi dari entitas ketiga;
 - v. entitas tersebut adalah suatu program imbalan pasca kerja untuk imbalan kerja dari suatu entitas pelapor atau entitas yang terkait dengan entitas pelapor;
 - vi. entitas yang dikendalikan atau dikendalikan bersama oleh orang yang diidentifikasi dalam butir (a);
 - vii. orang yang diidentifikasi, dalam butir (a) (i) memiliki pengaruh signifikan terhadap entitas atau anggota manajemen kunci entitas (atau entitas induk dari entitas).
 - viii. entitas atau bagian dari grup dimana entitas merupakan anggotanya, menyediakan personal manajemen kunci kepada entitas pelapor atau kepada pemegang saham dari entitas pelaporan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

j. Transactions with related parties

The Bank has transactions with related parties. In accordance with SFAS 7 (Revised 2015) - Related Party Disclosure, the meaning of a related party is a person or entity that is related to a reporting entity as follow:

- a. A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is member of the key management personel of the reporting entity of a parent of the reporting entity;
- b. An entity is related to a reporting entity if any of the following conditions applies:
 - i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of member of a company of which the other entity is a member);
 - iii. both entities are joint ventures of the same third party;
 - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity;
 - vi. the entity controlled or jointly controlled by a person identified in (a);
 - vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personel of the entity (or of a parent of the entity).
 - viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

k. Pajak penghasilan

Beban pajak terdiri dari pajak kini dan pajak tangguhan. Pajak diakui dalam laporan laba rugi, kecuali jika pajak tersebut terkait dengan transaksi atau kejadian yang diakui di penghasilan komprehensif lain atau langsung diakui ke ekuitas. Dalam hal ini, pajak tersebut masing-masing diakui dalam penghasilan komprehensif lain atau ekuitas.

Pajak penghasilan tangguhan diakui dengan menggunakan metode aset dan liabilitas untuk semua perbedaan temporer antara dasar pengenaan pajak aset dan liabilitas dengan nilai tercatatnya pada laporan keuangan. Tarif pajak yang berlaku saat ini dipakai untuk menentukan pajak tangguhan.

Aset pajak tangguhan diakui apabila besar kemungkinan bahwa jumlah laba fiskal pada masa mendatang akan memadai untuk mengkompensasi perbedaan temporer yang menimbulkan aset pajak tangguhan tersebut.

Aset dan liabilitas pajak penghasilan tangguhan dapat saling hapus apabila terdapat hak yang berkekuatan hukum untuk melakukan saling hapus antara aset pajak kini dengan liabilitas pajak kini dan apabila aset dan liabilitas pajak penghasilan tangguhan dikenakan oleh otoritas perpajakan yang sama, baik atas entitas kena pajak yang sama ataupun berbeda dan adanya niat untuk melakukan penyelesaian saldo-saldo tersebut secara neto.

Koreksi terhadap kewajiban perpajakan diakui saat surat ketetapan pajak diterima atau jika mengajukan keberatan, pada saat keputusan atas keberatan tersebut telah ditetapkan.

l. Aset tetap

l.1. Pengakuan dan pengukuran

Aset tetap pada awalnya diakui sebesar biaya perolehan. Biaya perolehan meliputi harga perolehannya dan biaya-biaya yang dapat diatribusikan secara langsung dengan perolehan aset tersebut. Perangkat lunak yang dibeli sebagai bagian integral dari fungsi perangkat terkait dikapitalisasi sebagai bagian dari perangkat tersebut.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

k. Income taxes

The tax expense comprises of current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the taxes are also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognised using the asset and liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Current enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset arising from temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the appeal has been decided.

l. Properties and equipments

l.1 Recognition and measurement

Properties and equipments are initially recognised at cost. Cost includes its purchase price and any costs directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

I. Aset tetap (lanjutan)

I.1. Pengakuan dan pengukuran (lanjutan)

Setelah pengukuran awal, aset tetap diukur dengan model biaya, yaitu dicatat sebesar biaya perolehan dikurangi akumulasi penyusutan dan akumulasi rugi penurunan nilai aset.

Jumlah tercatat aset tetap dihentikan pengakuannya pada saat pelepasan atau ketika tidak terdapat lagi manfaat ekonomi masa depan yang diekspektasikan dari penggunaan atau pelepasannya.

Laba atau rugi dari penjualan aset tetap ditentukan dengan membandingkan penerimaan dari penjualan dengan nilai tercatat dari aset tetap terkait, diakui sebagai pendapatan/beban lainnya di dalam laba rugi tahun berjalan.

I.2. Pengeluaran selanjutnya

Biaya untuk renovasi dan penambahan yang jumlahnya signifikan dan memperpanjang masa manfaat aset tetap dikapitalisasi ke aset tetap yang bersangkutan. Beban perbaikan dan pemeliharaan dibebankan pada laba rugi tahun berjalan.

I.3. Penyusutan

Tanah dinyatakan sebesar harga perolehan dan tidak disusutkan.

Bangunan disusutkan dengan menggunakan metode garis lurus berdasarkan taksiran masa manfaat selama 20 tahun. Instalasi kantor dan aset tetap lainnya disusutkan berdasarkan taksiran masa manfaat aset selama 3 sampai dengan 20 tahun dengan menggunakan metode garis lurus.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

I. Properties and equipments (continued)

**I.1. Recognition and measurement
(continued)**

After initial measurement, properties and equipments are measured using the cost model, i.e. carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The carrying amount of an item of properties and equipments is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of properties and equipments is determined by comparing the proceeds from disposal with the carrying amount of the item of properties and equipments, and is recognised as other income/other expenses in the profit or loss for the year.

I.2. Subsequent costs

The cost for renovation and improvements, which are significant and prolong the useful life of properties and equipments, is capitalised to the respective properties and equipments. Normal repair and maintenance expenses are charged to the profit or loss for the year.

I.3. Depreciation

Land is stated at cost and not depreciated.

Buildings are depreciated using the straight-line method over their estimated useful lives of 20 years. Leasehold improvements and other properties and equipments are depreciated over their estimated useful life of 3 to 20 years using the straight line method.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

I. Aset tetap (lanjutan)

I.3. Penyusutan (lanjutan)

Metode penyusutan yang digunakan, masa manfaat dan nilai residu dikaji pada setiap akhir tahun buku dan, jika terjadi perubahan yang signifikan dalam ekspektasi pola pemakaian manfaat ekonomi masa depan dari aset tetap tersebut, maka metode penyusutan diubah untuk mencerminkan perubahan pola tersebut.

m. Aset yang dimiliki untuk dijual

Aset yang dimiliki untuk dijual merupakan agunan berupa aset tidak lancar yang diambil alih sehubungan dengan penyelesaian kredit yang mengalami penurunan nilai.

Aset tidak lancar diklasifikasikan sebagai dimiliki untuk dijual jika jumlah tercatat aset tersebut akan dipulihkan terutama melalui transaksi penjualan, aset ini harus berada dalam keadaan dapat dijual pada kondisinya saat ini dan penjualannya harus sangat mungkin terjadi.

Aset tidak lancar yang dimiliki untuk dijual diukur pada nilai yang lebih rendah antara jumlah tercatat dan nilai wajar setelah dikurangi biaya untuk menjualnya.

Selisih antara jumlah tercatat dan hasil penjualan dari aset yang dimiliki untuk dijual diakui sebagai laba atau rugi dari aset yang dimiliki untuk dijual pada saat penjualan aset tersebut dalam laba rugi tahun berjalan.

n. Aset takberwujud

Aset takberwujud merupakan perangkat lunak komputer yang dihasilkan secara internal dan/atau dibeli. Aset takberwujud dicatat pada harga perolehan dikurangi akumulasi amortisasi. Harga perolehan dari perangkat lunak yang dihasilkan secara internal terdiri atas semua biaya yang dapat diatribusikan secara langsung terhadap perancangan, pengembangan dan persiapan hingga perangkat lunak tersebut dapat digunakan sesuai intensi manajemen. Biaya yang terjadi dalam rangka pemeliharaan atas perangkat lunak tersebut diakui sebagai beban pada saat terjadinya.

Aset takberwujud dihentikan pengakuannya jika dilepas atau ketika tidak terdapat lagi manfaat ekonomi masa depan yang diperkirakan dari penggunaan atau pelepasannya.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

I. Properties and equipments (continued)

I.3. Depreciation (continued)

The depreciation method applied, useful lives and residual value are reviewed at each financial year-end and, if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the depreciation method is changed to reflect the changed pattern.

m. Assets held for sale

Assets held for sale represent non-current assets which were foreclosed in conjunction with settlement of impaired loans.

Non-current assets are classified as held for sale when their carrying amounts will be recovered principally through a sale transaction, they must be available for sale in their present condition and their sale must be highly probable.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The difference between the carrying value and the proceeds from selling assets held for sale is recognised as gain or loss from assets held for sale at the time of sale in the current year profit or loss.

n. Intangible assets

Intangible assets represent computer software that was internally generated and/or purchased. Intangible asset is stated at cost less accumulated amortisation. The cost of internally generated software comprises of all directly attributable costs necessary to create, develop and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

n. Aset takberwujud (lanjutan)

Amortisasi diakui pada laba rugi dengan menggunakan metode garis lurus selama taksiran masa manfaat dari perangkat lunak yang bersangkutan, sejak tanggal perangkat lunak tersebut siap untuk digunakan. Taksiran masa manfaat untuk perangkat lunak adalah 3 - 5 tahun.

o. Identifikasi dan pengukuran penurunan nilai aset keuangan

Pada setiap tanggal pelaporan, Bank mengevaluasi apakah terdapat bukti obyektif bahwa aset keuangan yang tidak dicatat pada nilai wajar melalui laporan laba rugi telah mengalami penurunan nilai. Aset keuangan mengalami penurunan nilai jika bukti obyektif menunjukkan bahwa peristiwa yang merugikan telah terjadi setelah pengakuan awal aset keuangan, dan peristiwa tersebut berdampak pada arus kas masa datang atas aset keuangan yang dapat diestimasi secara handal.

Bukti obyektif bahwa aset keuangan mengalami penurunan nilai meliputi wanprestasi atau tunggakan pembayaran oleh debitur, restrukturisasi kredit atau tagihan oleh Bank dengan persyaratan yang tidak mungkin diberikan jika debitur tidak mengalami kesulitan keuangan, indikasi bahwa debitur atau penerbit akan dinyatakan pailit, hilangnya pasar aktif dari aset keuangan akibat kesulitan keuangan, atau data yang dapat diobservasi lainnya yang terkait dengan kelompok aset keuangan seperti memburuknya status pembayaran debitur atau penerbit dalam kelompok tersebut, atau kondisi ekonomi yang berkorelasi dengan wanprestasi atas aset dalam kelompok tersebut.

Bank menentukan bukti penurunan nilai atas kredit yang diberikan kepada nasabah, wesel ekspor, efek-efek untuk tujuan investasi dan tagihan akseptasi secara individual dan kolektif. Evaluasi penurunan nilai secara individual dilakukan terhadap semua kredit yang diberikan, efek-efek untuk tujuan investasi dan tagihan akseptasi yang signifikan secara individual.

Semua kredit yang diberikan kepada nasabah, wesel ekspor, efek-efek untuk tujuan investasi dan tagihan akseptasi yang signifikan secara individual yang tidak mengalami penurunan nilai secara individual dievaluasi secara kolektif untuk menentukan penurunan nilai yang sudah terjadi namun belum diidentifikasi.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

n. Intangible assets (continued)

Amortisation is recognised in profit or loss on a straight-line method over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is 3 - 5 years.

o. Identification and measurement of impairment of financial assets

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of a loan or receivable by the Bank on terms that the Bank would not otherwise consider, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security due to financial difficulties, or other observable data relating to a group of assets such as adverse changes in the payment status of debtors or issuers in the group, or economic conditions that correlate with defaults in the group.

The Bank considers evidence of impairment for loans to customers, export bills, investment securities and acceptance receivables at both individual and collective level. All individually significant loans, investment securities and acceptance receivables are assessed for individual impairment.

All individually significant loans to customers, export bills, investment securities and acceptance receivables found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**o. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**

Kredit yang diberikan kepada nasabah, wesel ekspor, efek-efek untuk tujuan investasi dan tagihan akseptasi yang tidak signifikan secara individual akan dievaluasi secara kolektif untuk menentukan penurunan nilainya dengan mengelompokkan aset keuangan tersebut berdasarkan karakteristik risiko yang serupa.

Semua penempatan dan giro pada bank-bank lain dievaluasi penurunan nilainya secara individual.

o.1. Dinilai secara individu

Penurunan nilai atas aset keuangan yang dinilai secara individu ditentukan dengan mengevaluasi eksposur secara satu per satu. Prosedur ini diterapkan atas aset keuangan yang dianggap signifikan secara individu.

Dalam menentukan penurunan nilai atas aset keuangan yang dinilai secara individu, faktor-faktor berikut dijadikan pertimbangan:

- jumlah eksposur Bank terhadap pihak lawan;
- keandalan bisnis model pihak lawan dan kemampuan mengatasi kesulitan keuangan serta menghasilkan arus kas yang cukup untuk melunasi kewajiban terhutang;
- jumlah dan perkiraan waktu penerimaan pembayaran dari debitur dan pemulihan;
- nilai realisasi agunan.

Kerugian penurunan nilai atas aset keuangan diukur sebesar selisih antara nilai tercatat aset keuangan dengan nilai kini estimasi arus kas masa datang yang didiskonto menggunakan suku bunga efektif awal dari aset keuangan tersebut.

o.2. Dinilai secara kolektif

Kerugian penurunan nilai dievaluasi secara kolektif untuk portofolio aset keuangan berikut ini:

- Aset keuangan yang ditelaah secara individu (lihat Catatan 3o.1 di atas) dalam hal kerugian telah terjadi tetapi belum dapat diidentifikasi; dan
- Kredit homogen yang tidak signifikan secara individu.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**o. Identification and measurement of
impairment of financial assets (continued)**

Loans to customers, export bills, investment securities and acceptance receivables that are not individually significant are collectively assessed for impairment by grouping together such financial assets with similar risk characteristics.

All placements and demand deposits with other banks are assessed for individual impairment.

o.1. Individually assessed

Impairment losses on individually assessed financial assets are determined by an evaluation of the exposures on a case-by-case basis. This procedure is applied to financial assets that are considered individually significant.

In determining impairment losses on individually assessed financial assets, the following factors are considered:

- *the Bank's aggregate exposure to the counterparty;*
- *the viability of the counter party's business model and capability to overcome financial difficulties and generate sufficient cash flow to service its debt obligations;*
- *the amount and timing of expected payments from debtors and recoveries;*
- *the realizable value of collaterals.*

Impairment loss on financial assets are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate.

o.2. Collectively assessed

Impairment losses are assessed on a collective basis for the following financial assets:

- *Financial assets subject to individual assessment for impairment (see Note 3o.1 above) in respect of losses which have been incurred but have not yet been identified; and*
- *Homogeneous groups of loans that are not considered individually significant.*

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**o. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**

o.2. Dinilai secara kolektif (lanjutan)

**Penurunan nilai yang telah terjadi tapi
belum diidentifikasi**

Untuk aset keuangan yang telah dinilai secara individu dan tidak terdapat bukti penurunan nilai yang dapat diidentifikasi, aset keuangan tersebut dikelompokkan berdasarkan karakteristik risiko kredit yang serupa untuk tujuan perhitungan kerugian penurunan nilai secara kolektif. Kerugian tersebut meliputi aset keuangan yang telah mengalami penurunan nilai pada tanggal pelaporan, tetapi belum dapat diidentifikasi secara individu sampai waktu tertentu di masa yang akan datang. Penurunan nilai kolektif ditentukan setelah mempertimbangkan hal-hal berikut ini:

- pengalaman kerugian historis atas portofolio yang memiliki karakteristik risiko kredit yang serupa;
- periode yang diperkirakan antara terjadinya suatu kerugian sampai kerugian tersebut diidentifikasi dan dibuktikan dengan pembentukan penyisihan kerugian penurunan nilai atas aset keuangan tersebut; dan
- pertimbangan dan pengalaman manajemen tentang kondisi ekonomi dan kredit saat ini terhadap tingkat aktual kerugian yang terjadi dan apakah akan lebih besar atau lebih kecil dari apa yang disarankan oleh pengalaman historis.

Kredit yang homogen

Untuk kredit homogen yang tidak signifikan secara individu, Bank menggunakan model statistik dari tren kemungkinan gagal bayar, yang ditelaah pada setiap saat di mana pembayaran kontraktual dari nasabah telah lewat waktu. Penentuan kerugian penurunan nilai kolektif tersebut juga mempertimbangkan data historis lain serta evaluasi atas kondisi ekonomi saat ini.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**o. Identification and measurement of
impairment of financial assets (continued)**

o.2. Collectively assessed (continued)

**Incurred but not yet identified
impairment**

For financial assets which have been individually assessed and evidence of loss has not been identified, these financial assets are grouped together based on similar credit risk characteristics for the purpose of calculating collective impairment loss. This loss covers financial assets that are impaired at the reporting date but have not been individually identified as such until some time in the future. The collective impairment loss is determined after taking into account the following:

- historical loss experience in portfolios of similar credit risk characteristics;
- the estimated period between the time when a loss occurs and the time when a loss has been identified and evidenced by the establishment of an allowance for impairment loss on an individual financial asset; and
- management's experiences and judgments as to whether the current economic and credit conditions are such that the actual level of incurred losses is likely to be greater or less than that suggested by historical experience.

Homogeneous loans

For homogeneous groups of loans that are not considered individually significant, the Bank utilizes statistical modeling of historical trends of the probability of default, assessed at each time period for which the customer's contractual payments are overdue. The determination of collective impairment losses also takes into consideration other historical data and evaluation of current economic conditions.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**o. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**

Kerugian penurunan nilai atas aset keuangan yang dicatat pada biaya perolehan diamortisasi diukur sebesar selisih antara nilai tercatat aset keuangan dengan nilai kini estimasi arus kas masa datang yang didiskonto menggunakan suku bunga efektif awal dari aset keuangan tersebut. Kerugian yang terjadi diakui pada laba rugi tahun berjalan dan dicatat pada akun penyisihan atas aset keuangan yang dicatat pada biaya perolehan diamortisasi. Pendapatan bunga atas aset keuangan yang mengalami penurunan nilai tetap diakui atas dasar suku bunga yang digunakan untuk mendiskonto arus kas masa datang dalam pengukuran kerugian penurunan nilai. Ketika peristiwa yang terjadi setelah penurunan nilai menyebabkan jumlah kerugian penurunan nilai berkurang, kerugian penurunan nilai yang sebelumnya diakui harus dipulihkan dan pemulihan tersebut diakui pada laba rugi tahun berjalan.

Kerugian penurunan nilai atas efek-efek untuk tujuan investasi diakui dengan mengeluarkan kerugian kumulatif yang telah diakui secara langsung dalam penghasilan komprehensif lain ke dalam laba rugi tahun berjalan. Jumlah kerugian kumulatif yang dikeluarkan dari ekuitas dan diakui pada laba rugi tahun berjalan merupakan selisih antara biaya perolehan, setelah dikurangi pelunasan pokok dan amortisasi, dengan nilai wajar kini, dikurangi kerugian penurunan nilai aset keuangan yang sebelumnya telah diakui pada laba rugi. Perubahan penyisihan kerugian penurunan nilai yang dapat diatribusikan pada nilai waktu (*time value*) tercermin sebagai komponen pendapatan bunga.

Jika, pada periode berikutnya, nilai wajar efek-efek untuk tujuan investasi yang mengalami penurunan nilai meningkat dan peningkatan tersebut dapat secara obyektif dihubungkan dengan peristiwa yang terjadi setelah pengakuan kerugian penurunan nilai pada laba rugi, maka kerugian penurunan nilai tersebut harus dipulihkan dan pemulihan tersebut diakui pada laba rugi tahun berjalan.

Jika persyaratan kredit, piutang atau investasi yang dimiliki hingga jatuh tempo dinegosiasi ulang atau dimodifikasi karena debitur atau penerbit mengalami kesulitan keuangan, maka penurunan nilai diukur dengan suku bunga efektif awal yang digunakan sebelum persyaratan diubah.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**o. Identification and measurement of
impairment of financial assets (continued)**

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. Losses are recognised in the profit or loss for the year and reflected in an allowance account against financial assets carried at amortised cost. Interest on the impaired financial asset continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit or loss for the year.

Impairment losses on investment securities are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income to the profit or loss for the year. The cumulative loss that has been removed from equity and recognised in the profit or loss for the year is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired investment securities increase and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed, with the amount of reversal recognised in the profit or loss for the year.

If the terms of a loan, receivable or held-to-maturity investment are renegotiated or otherwise modified because of financial difficulties of the debtor or issuer, impairment is measured using the original effective interest rate before the modification of terms.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**p. Identifikasi, pengukuran penurunan nilai dan
pengukuran nilai wajar aset non-keuangan**

Nilai tercatat aset non-keuangan, selain aset pajak tangguhan, ditelaah untuk mengetahui apakah telah terjadi penurunan nilai bilamana terdapat kejadian atau perubahan keadaan yang mengindikasikan bahwa nilai tercatat aset tersebut tidak dapat terpulihkan. Kerugian akibat penurunan nilai diakui sebesar selisih antara jumlah tercatat aset dengan jumlah terpulihkan dari aset tersebut.

Jumlah terpulihkan atas sebuah aset adalah jumlah yang lebih tinggi antara nilai wajar dikurangi biaya pelepasan dengan nilai pakainya. Dalam rangka mengukur penurunan nilai, aset dikelompokkan hingga kelompok aset terkecil teridentifikasi yang menghasilkan arus kas terpisah.

Setiap tanggal pelaporan, aset non-keuangan yang telah mengalami penurunan nilai ditelaah kembali untuk menentukan apakah terdapat kemungkinan pemulihan penurunan nilai. Jika terjadi pemulihan nilai, maka langsung diakui dalam laba rugi, tetapi pemulihan tersebut tidak boleh menyebabkan nilai aset melebihi nilai tercatat neto setelah penyusutan atau amortisasi, seandainya aset tidak mengalami rugi penurunan nilai pada tahun-tahun sebelumnya.

Pengukuran nilai wajar aset non-keuangan memperhitungkan kemampuan pelaku pasar untuk menghasilkan manfaat ekonomis dengan menggunakan aset dalam penggunaan tertinggi dan terbaiknya (*highest and best use*) atau dengan menjualnya kepada pelaku pasar lain yang akan menggunakan aset tersebut dalam penggunaan tertinggi dan terbaiknya.

q. Simpanan dari nasabah dan bank-bank lain

Simpanan dari nasabah terdiri dari giro, tabungan dan deposito berjangka.

Simpanan dari bank-bank lain terdiri dari giro, *call money* dan deposito berjangka.

Simpanan pada awalnya diukur pada nilai wajar dikurangi biaya transaksi (jika ada) yang dapat diatribusikan secara langsung untuk perolehan simpanan, dan setelah pengakuan awal diukur pada biaya perolehan diamortisasi menggunakan metode suku bunga efektif, kecuali jika Bank memilih untuk mencatat liabilitas pada nilai wajar melalui laba rugi.

r. Pinjaman yang diterima dan pinjaman subordinasi

Pinjaman yang diterima dan pinjaman subordinasi merupakan dana yang diterima dari pihak berelasi dengan kewajiban pembayaran kembali sesuai dengan persyaratan perjanjian pinjaman dan pinjaman subordinasi.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**p. Identification, measurement of impairment
and fair value of non-financial assets**

The carrying amount of the Bank's non-financial assets, other than deferred tax assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the smallest identifiable group of assets that generates separately identifiable cash flows.

At each reporting date, non-financial assets that suffered impairment are reassessed for possible reversal of the impairment. If there is a reversal of impairment, it shall be recognised immediately to profit or loss, however the reversal amount shall not cause the carrying amount of an asset exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

q. Deposits from customers and other banks

Deposits from customers consist of demand deposits, saving accounts and time deposits.

Deposits from other banks consist of demand deposits, call money and time deposits.

Deposits are initially measured at fair value less directly attributable transaction costs (if any), and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

r. Borrowings and subordinated debts

Borrowings and subordinated debts are funds received from a related party with payment obligation based on the borrowing and subordinated debts agreements.

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PENTING (lanjutan)**

r. Pinjaman yang diterima dan pinjaman subordinasi (lanjutan)

Pinjaman yang diterima dan pinjaman subordinasi pada awalnya diukur pada nilai wajar dikurangi biaya transaksi yang dapat diatribusikan secara langsung untuk perolehan pinjaman, dan setelah pengakuan awal diukur pada biaya perolehan diamortisasi menggunakan metode suku bunga efektif.

s. Imbalan kerja

s.1. Liabilitas imbalan kerja jangka pendek

Liabilitas imbalan kerja jangka pendek merupakan bonus karyawan yang akan diselesaikan dalam jangka waktu satu tahun.

Liabilitas imbalan kerja jangka pendek diukur berdasarkan jumlah tidak terdiskonto dan dibebankan pada saat jasa tersebut diberikan.

Liabilitas diakui untuk jumlah yang akan dibayar sebagai bonus jangka pendek jika Bank memiliki kewajiban hukum atau kewajiban konstruktif atas pembayaran beban tersebut sebagai akibat dari jasa masa lalu yang diberikan oleh pekerja dan kewajiban tersebut dapat diestimasi secara andal.

s.2. Liabilitas pembayaran berbasis saham

Karyawan tertentu berhak atas instrumen ekuitas dari HSBC Holdings plc, pemegang saham pengendali, melalui program imbalan kerja berbasis saham. Transaksi ini diperlakukan sebagai transaksi yang diselesaikan dengan instrumen ekuitas karena HSBC Holdings plc adalah pihak yang memberikan instrumen ekuitasnya sendiri untuk semua program imbalan kerja berbasis saham dalam grup.

Biaya atas program pembayaran berbasis saham diukur dengan mengacu pada nilai wajar instrumen ekuitas pada tanggal pemberian. Dikarenakan adanya pengaturan pembebanan kembali antara Bank dan HSBC Holdings plc, liabilitas atas transaksi pembayaran berbasis saham diakui pada saat kewajiban untuk melakukan pembayaran disepakati secara kontraktual.

Liabilitas diukur berdasarkan pengaturan pembayaran berbasis saham. Perubahan atas nilai wajar dari liabilitas setelah pengakuan awal hingga penyelesaian diakui sebagai perubahan kontribusi modal (dicatat sebagai bagian dari tambahan modal disetor).

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**r. Borrowings and subordinated debts
(continued)**

Borrowings and subordinated debts are initially measured at fair value less directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

s. Employee benefits

s.1. Short-term employee benefit obligation

Short-term employee benefit obligation represent employees bonus which will be paid within one year.

Short-term employee benefit obligation is measured on an undiscounted basis and is expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

s.2. Share-based payment liabilities

Certain employees are eligible for equity instruments in HSBC Holdings plc, the ultimate parent entity, under share-based compensation plan. These transactions are accounted as equity settled because HSBC Holdings plc is the grantor of its equity instruments for share-based compensation plans across the group.

The cost of the share-based payment arrangement is measured by reference to the fair value of equity instruments at grant date. Since a recharge arrangement exists between the Bank and HSBC Holdings plc, a liability for share-based payment transactions is recognised at the point the obligation to make the payment is contractually agreed.

The liability is measured in accordance with the share-based payment arrangement. Any changes in the fair value of the liability from initial recognition to settlement are recognised as a true-up of capital contribution (which is recorded as part of additional paid-in capital).

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

s. Imbalan kerja (lanjutan)

**s.2. Liabilitas pembayaran berbasis saham
(lanjutan)**

Nilai wajar ditetapkan dengan menggunakan harga pasar atau teknik penilaian, dengan mempertimbangkan syarat dan ketentuan pemberian instrumen ekuitas. Kondisi kinerja pasar dipertimbangkan dalam menaksir nilai wajar instrumen ekuitas pada tanggal pemberian, sehingga pemberian tersebut dianggap telah memenuhi kondisi *vesting*, tanpa memperhatikan apakah kondisi kinerja pasar tersebut terpenuhi, selama kondisi lainnya terpenuhi.

Kondisi *vesting*, selain dari kondisi kinerja pasar, tidak dipertimbangkan dalam penaksiran awal nilai wajar pada tanggal pemberian. Kondisi tersebut dipertimbangkan dengan menyesuaikan jumlah instrumen ekuitas yang diperhitungkan dalam pengukuran transaksi, sehingga nilai yang diakui untuk jasa yang diterima sebagai imbalan atas instrumen ekuitas yang diberikan didasarkan pada jumlah instrumen ekuitas yang akhirnya menjadi *vesting*. Secara kumulatif, tidak ada beban yang diakui untuk instrumen ekuitas yang tidak *vesting* karena kegagalan dalam memenuhi kondisi kinerja non-pasar atau kondisi pemberian jasa.

Ketika syarat dan ketentuan pemberian instrumen ekuitas dimodifikasi, sekurang-kurangnya, beban dari pemberian awal tetap diakui seolah-olah syarat dan ketentuan tidak dimodifikasi. Jika dampak modifikasi mengakibatkan kenaikan nilai wajar dari instrumen ekuitas yang diberikan atau kenaikan jumlah instrumen ekuitas, kenaikan nilai wajar dari instrumen yang diberikan atau kenaikan nilai wajar dari ekuitas tambahan tersebut diakui sebagai tambahan atas beban pemberian awal yang diukur pada tanggal modifikasi untuk periode *vesting* yang dimodifikasi.

s.3. Liabilitas imbalan pasca-kerja

Sejak Januari 2017, Bank menyelenggarakan program iuran pasti.

Program iuran pasti adalah program pensiun dimana Bank membayar iuran tetap kepada sebuah entitas terpisah. Iuran ini dicatat sebagai biaya karyawan pada saat terutang. Bank tidak lagi memiliki kewajiban pembayaran lebih lanjut setelah iuran tersebut dibayarkan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

s. Employee benefits (continued)

**s.2. Share-based payment liabilities
(continued)**

Fair value is determined by using market prices or appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. Market performance conditions are taken into account when estimating the fair value of equity instruments at the grant date, so that an award is treated as vested irrespective of whether the market performance condition is satisfied, provided all other conditions are satisfied.

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions.

Where an award has been modified, at a minimum, the expense of the original award continues to be recognised as if it had not been modified. Where the effect of a modification is to increase the fair value of an award or increase the number of equity instruments, the incremental fair value of the award or incremental fair value of the extra equity instruments is recognised as an addition to the expense of the original grant measured at the date of modification, for the modified vesting period.

s.3. Post-employment benefits obligation

Since January 2017, the Bank has defined contribution plan.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. Contributions are recognised as personnel expense when they are due. The Bank has no further obligations once the contributions have been paid.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

s. Imbalan kerja (lanjutan)

s.3. Liabilitas imbalan pasca-kerja (lanjutan)

Bank diwajibkan menyediakan jumlah minimum imbalan pensiun berdasarkan Undang – undang Ketenagakerjaan (UUTK) No. 13/2003. Secara substansi program pensiun dalam UUTK No. 13/2003 merupakan program imbalan pasti karena UUTK telah menetapkan formula dalam menentukan jumlah minimum imbalan. Jika porsi program imbalan pensiun yang didanai Bank lebih rendah dari imbalan yang diwajibkan menurut UUTK, Bank akan membentuk penyisihan untuk menutupi kekurangan tersebut.

Program pensiun imbalan pasti adalah program pensiun yang menetapkan jumlah imbalan pensiun yang akan diterima oleh karyawan pada saat pensiun, biasanya berdasarkan pada satu faktor atau lebih seperti usia, masa kerja dan kompensasi.

Liabilitas imbalan pasca-kerja yang diakui dalam laporan posisi keuangan adalah nilai kini liabilitas imbalan pasti pada tanggal laporan posisi keuangan disesuaikan dengan keuntungan atau kerugian aktuarial.

Liabilitas imbalan pasti dihitung setiap tahun oleh aktuaris independen dengan menggunakan metode *projected unit credit*.

Nilai kini liabilitas imbalan pasti ditentukan dengan mendiskontokan arus kas estimasi menggunakan tingkat bunga obligasi pemerintah (dengan pertimbangan saat ini tidak ada pasar aktif untuk obligasi korporasi berkualitas tinggi) dalam mata uang yang sama dengan mata uang imbalan yang akan dibayarkan dan waktu jatuh tempo yang kurang lebih sama dengan waktu jatuh tempo liabilitas pensiun yang bersangkutan.

Pengukuran kembali yang timbul dari perubahan pada asumsi-asumsi aktuarial yang dibebankan atau dikreditkan ke ekuitas di penghasilan komprehensif lain dan disajikan bagian dari penghasilan komprehensif lain di ekuitas.

Biaya jasa lalu diakui segera di laporan laba rugi.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

s. Employee benefits (continued)

**s.3. Post-employment benefits obligation
(continued)**

The Bank is required to provide a minimum amount of pension benefits in accordance with Labor Law No. 13/2003. Since the Labor Law sets the formula for determining the minimum amount of benefits, in substance pension plans under Labor Law No. 13/2003 represent defined benefit plans. If the Bank funded portion of the pension plan benefit is less than the benefit as required by the Labor Law, the Bank will provide provision for such shortage.

A defined benefit plan is a pension plan program where the pension amount to be received by employees at the time of retirement will depend on one or more factors such as age, years of service and compensation.

The post-employment benefits liability recognised in the statement of financial position in respect of a defined pension benefit plan is the present value of the defined benefit obligation at the statement of financial position date adjusted for unrecognised actuarial gains.

The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (considering currently there is no deep market for high quality corporate bonds) that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income and presented as part of other comprehensive income in equity.

Past service costs are recognised immediately in the statement of profit or loss.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

s. Imbalan kerja (lanjutan)

s.4. Provisi pemutusan hubungan kerja

Provisi pemutusan hubungan kerja terutang ketika Bank memberhentikan hubungan kerja sebelum usia pensiun normal, atau ketika seorang pekerja menerima penawaran mengundurkan diri secara sukarela dengan kompensasi imbalan pesangon. Bank mengakui pesangon pemutusan hubungan kerja pada tanggal yang lebih awal antara: i) ketika Bank tidak dapat lagi menarik tawaran atas imbalan tersebut dan ii) ketika Bank mengakui biaya untuk restrukturisasi yang berada dalam ruang lingkup PSAK 57 dan melibatkan pembayaran pesangon.

Ketika Bank menyediakan pesangon sebagai penawaran untuk mengundurkan diri secara sukarela, pesangon pemutusan hubungan kerja diukur berdasarkan jumlah karyawan yang diharapkan menerima penawaran tersebut. Imbalan yang jatuh tempo lebih dari 12 bulan setelah periode pelaporan didiskontokan menjadi nilai kininya.

t. Beban akrual dan provisi

Beban akrual dan provisi terdiri dari beban operasional yang masih harus dibayar, bunga yang masih harus dibayar dan provisi untuk biaya restrukturisasi termasuk provisi pemutusan hubungan kerja.

Provisi untuk biaya restrukturisasi diakui hanya jika:

- i) Bank memiliki rencana formal rinci untuk restrukturisasi dengan mengidentifikasi sekurang-kurangnya usaha atau bagian usaha yang terlibat; lokasi utama yang terpengaruh; lokasi, fungsi, dan perkiraan jumlah pegawai yang akan menerima kompensasi karena pemutusan hubungan kerja; pengeluaran yang akan terjadi; dan waktu implementasi rencana tersebut.
- ii) Bank menciptakan perkiraan yang valid kepada pihak-pihak yang terkena dampak restrukturisasi bahwa Bank akan melaksanakan restrukturisasi dengan memulai implementasi rencana tersebut atau mengumumkan pokok-pokok rencana.

u. Modal saham

Saham diklasifikasikan sebagai ekuitas karena tidak terdapat kewajiban kontraktual untuk mentransfer kas atau aset keuangan lainnya.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

s. Employee benefits (continued)

s.4. Termination provisions

Termination provisions are payable when the Bank terminates employment before the normal retirement date, or when an employee accepts offer of voluntary redundancy with termination benefits. The Bank recognises termination benefits at the earlier of: i) when the Bank can no longer withdraw the offer of the termination benefits and ii) when the Bank recognises costs for restructuring within the scope of SFAS 57 and involves payment of termination benefits.

When Bank provides termination benefits as an offer for voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. Benefits due for more than 12 months after the reporting period are discounted to their present value.

t. Accruals and provisions

Accruals and provisions consist of accrued operational expenses, accrued interest expenses and provision for restructuring costs including termination provisions.

A provision for restructuring costs are recognised only when:

- i) the Bank has a detailed formal plan for the restructuring identifying at least the business or part of a business concerned; the principal location affected; the location, function, and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken; and when the plan will be implemented.
- ii) the Bank has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

u. Share capital

Shares are classified as equity as there is no contractual obligation to transfer cash or other financial assets.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

v. Beban emisi

Beban emisi saham disajikan sebagai bagian dari tambahan modal disetor dan tidak diamortisasi.

w. Pendapatan dan beban bunga

Pendapatan dan beban bunga diakui dalam laba rugi tahun berjalan menggunakan metode suku bunga efektif. Suku bunga efektif adalah suku bunga yang secara tepat mendiskontokan estimasi pembayaran dan penerimaan kas di masa datang selama perkiraan umur dari aset keuangan atau liabilitas keuangan (atau, jika lebih tepat, digunakan periode yang lebih singkat) untuk memperoleh nilai tercatat dari aset keuangan atau liabilitas keuangan. Pada saat menghitung suku bunga efektif, Bank mengestimasi arus kas di masa datang dengan mempertimbangkan seluruh persyaratan kontraktual dalam instrumen keuangan tersebut, tetapi tidak mempertimbangkan kerugian kredit di masa mendatang.

Perhitungan suku bunga efektif mencakup seluruh imbalan/provisi dan bentuk lain yang dibayarkan atau diterima yang merupakan bagian tak terpisahkan dari suku bunga efektif. Biaya transaksi meliputi biaya tambahan yang dapat diatribusikan secara langsung untuk perolehan aset keuangan atau penerbitan liabilitas keuangan.

Pendapatan dan beban bunga yang disajikan di dalam laporan laba rugi meliputi bunga atas aset keuangan dan liabilitas keuangan yang dicatat pada biaya perolehan diamortisasi dan bunga atas efek-efek untuk tujuan investasi yang dihitung menggunakan suku bunga efektif.

Pendapatan bunga atas kredit yang diberikan atau aset keuangan lainnya yang diklasifikasikan sebagai bermasalah diakui pada saat pendapatan tersebut diterima. Pada saat aset keuangan diklasifikasikan sebagai bermasalah, bunga yang telah diakui tetapi belum ditagih akan dibatalkan pengakuannya. Selanjutnya bunga yang dibatalkan tersebut diakui sebagai tagihan kontinjensi.

x. Pendapatan dan beban provisi dan komisi

Pendapatan dan beban provisi dan komisi yang merupakan bagian tak terpisahkan dari suku bunga efektif aset keuangan atau liabilitas keuangan dimasukkan ke dalam perhitungan suku bunga efektif.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

v. Issuance costs

Share issuance costs are presented as part of additional paid-in capital and are not amortised.

w. Interest income and expenses

Interest income and expenses are recognised in the profit or loss for the year using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset or issuance of a financial liability.

Interest income and expenses presented in the statement of profit or loss include interest on financial assets and liabilities at amortised cost and interest on investment securities calculated on an effective interest method.

Interest income on loans or other financial assets that classified as non-performing is recognised at the time the interest is received. When a financial asset is classified as non-performing, any interest income previously recognised but not yet collected is reversed against interest income. The reversed interest income is recognised as a contingent receivable.

x. Fees and commissions income and expenses

Fees and commissions income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

**x. Pendapatan dan beban provisi dan komisi
(lanjutan)**

Provisi dan komisi yang diperoleh atas beragam jasa yang diberikan kepada nasabah umumnya diakui pada saat penyelesaian transaksi. Untuk jasa yang diberikan selama periode waktu tertentu atau periode risiko kredit yang diterima, provisi dan komisi diamortisasi dengan menggunakan metode garis lurus selama jangka waktunya.

**y. Pendapatan bersih instrumen yang
diperdagangkan**

Pendapatan bersih instrumen yang diperdagangkan terdiri dari laba dikurangi rugi atas aset dan liabilitas keuangan yang dimiliki untuk diperdagangkan, dan termasuk perubahan nilai wajar yang sudah ataupun yang belum direalisasi, selisih kurs, serta pendapatan dan beban bunga yang terkait.

z. Kombinasi bisnis entitas sependengali

Transaksi integrasi usaha dan operasi antara Bank dan HBAP (lihat Catatan 1c) merupakan transaksi kombinasi bisnis entitas sependengali. Transaksi kombinasi bisnis antar entitas sependengali, berupa pengalihan bisnis termasuk aset maupun liabilitas terkait dalam rangka reorganisasi entitas-entitas yang berada dalam suatu kelompok yang sama bukan merupakan perubahan kepemilikan dalam arti substansi ekonomi. Berdasarkan PSAK No. 38 "Kombinasi Bisnis Entitas Sependengali", transaksi tersebut diakui pada jumlah tercatat berdasarkan metode penyatuan kepemilikan. Selisih antara jumlah imbalan yang diterima/dialihkan dan jumlah tercatat dari transaksi bisnis yang dialihkan dicatat di ekuitas dan disajikan sebagai bagian dari pos tambahan modal disetor.

Selain itu, PSAK No. 38 juga menyatakan, dalam menerapkan metode penyatuan kepemilikan, unsur-unsur laporan keuangan dari entitas-entitas yang bergabung untuk periode terjadinya kombinasi bisnis entitas sependengali dan untuk periode komparatif sajian, disajikan sedemikian rupa seolah-olah penggabungan itu telah terjadi sejak awal periode entitas yang bergabung berada dalam sependengalian.

Sesuai yang diperbolehkan dalam PSAK No. 25 "Kebijakan Akuntansi, Perubahan Estimasi Akuntansi dan Kesalahan", Bank menentukan untuk menyajikan restrukturisasi tersebut hanya dari tanggal praktis paling awal, yaitu dari tanggal pengalihan. Oleh karena itu hasil dari pengalihan disajikan dan diungkapkan secara prospektif dari tanggal pengalihan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**x. Fees and commissions income and
expenses (continued)**

Fees and commissions earned from a range of services rendered to customers are normally recognised upon a completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised on the straight-line method over the period of the services.

y. Net trading income

Net trading income comprises gains less losses related to financial assets and liabilities held for trading, and includes all realised and unrealised fair value changes, foreign exchange differences, together with the related interest income and expenses.

**z. Business combination under common
control**

Business integration transaction and operation between the Bank and HBAP (see Note 1c) is a business combination under common control transaction. Business combination transaction between entities under common control, in form of business transfer including the related assets and liabilities in the event of reorganisation of entities under the same group does not constitute change in ownership by economic substance definition. According to SFAS No. 38 "Business Combination of Entities Under Common Control", such transaction is recognised at carrying value under pooling of interest method. Difference between proceed received/paid and carrying value of business transaction being transferred is recorded in equity and presented as part of additional paid-up capital account.

In addition, SFAS No. 38 also requires, in applying the pooling of interest method, the financial statements items of the merging entities for the period in which the merger occur and for the comparative period, is presented as if the merger had occurred since the beginning period of the merging entities are under the same common control.

As allowable in SFAS No. 25 "Accounting Policies, Changes in Accounting Estimates and Errors", the Bank determined to present such restructuring only from the earliest date practicable, which is from the date of transfer. Therefore, the results of the transfer is presented and disclosed on a prospective basis from the date of transfer.

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4. MANAJEMEN RISIKO KEUANGAN

a. Pendahuluan dan gambaran umum

Bank memiliki eksposur terhadap risiko-risiko atas instrumen keuangan sebagai berikut:

- Risiko kredit
- Risiko pasar
- Risiko likuiditas
- Risiko operasional

Catatan ini menyajikan informasi mengenai eksposur Bank terhadap setiap risiko di atas, tujuan dan kebijakan yang dilakukan oleh Bank dalam mengukur dan mengelola risiko.

Kerangka manajemen risiko

Direksi memiliki tanggung jawab penuh atas penetapan dan pengawasan kerangka manajemen risiko Bank untuk memastikan bahwa risiko Bank telah dikelola dengan tepat.

Manajemen telah membentuk:

- Komite Audit;
- Komite Pemantau Risiko;
- *Assets and Liabilities Committee* (ALCO);
- Komite Manajemen Risiko;
- Satuan Kerja Manajemen Risiko;
- Komite Manajemen Risiko Terintegrasi;

yang bertanggung jawab untuk mengembangkan dan memantau kebijakan manajemen risiko Bank atas masing-masing areanya. Komite Audit dan Komite Pemantau Risiko melaporkan aktivitasnya kepada Dewan Komisaris, sedangkan ALCO, Satuan Kerja Manajemen Risiko, dan Komite Manajemen Risiko melaporkan aktivitas mereka secara berkala kepada Direksi.

Kebijakan manajemen risiko Bank dibentuk untuk mengidentifikasi dan menganalisa risiko-risiko yang dihadapi Bank, untuk menentukan batasan dan pengendalian risiko yang sesuai dan untuk mengawasi risiko dan kepatuhan terhadap batasan yang telah ditetapkan. Kebijakan dan sistem manajemen risiko dikaji secara berkala untuk mencerminkan perubahan pada kondisi pasar, produk dan jasa yang ditawarkan. Bank melalui berbagai pelatihan serta standar dan prosedur pengelolaan, berusaha untuk mengembangkan lingkungan pengendalian yang teratur dan konstruktif, dimana seluruh karyawan memahami peran dan tanggung jawab mereka.

4. FINANCIAL RISK MANAGEMENT

a. Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- *Credit risk*
- *Market risk*
- *Liquidity risk*
- *Operational risk*

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives and policies for measuring and managing risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework to ensure that the Bank's risks are managed in a sound manner.

The Management has established:

- *Audit Committee;*
- *Risk Oversight Committee;*
- *Assets and Liabilities Committee (ALCO);*
- *Risk Management Committee (RMC);*
- *Risk Management Task Force Unit;*
- *Integrated Risk Management Committee;*

which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. Audit Committee and Risk Oversight Committee report to the Board of Commissioners, while, ALCO, Risk Management Task Force Unit, and RMC report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

a. Pendahuluan dan gambaran umum (lanjutan)

Kerangka manajemen risiko (lanjutan)

Komite Audit Bank memiliki tanggung jawab untuk:

- (i) memantau dan mengevaluasi atas perencanaan dan pelaksanaan audit serta pemantauan atas tindak lanjut hasil audit dalam rangka menilai kecukupan pengendalian internal termasuk kecukupan proses pelaporan keuangan;
- (ii) membahas dan mengkaji perencanaan audit Satuan Kerja Audit Intern dan menyajikan temuan mereka secara berkala.

Komite Pemantau Risiko mengawasi perkembangan kebijakan manajemen risiko dan menilai penerapannya. Komite juga memberikan nasihat mengenai strategi manajemen risiko yang harus digunakan oleh Bank. Dalam melaksanakan fungsi pengawasan, Komite Pemantau Risiko akan melakukan pengawasan dan evaluasi kinerja Komite Manajemen Risiko yang diketuai oleh Kepala Unit Manajemen Risiko.

ALCO merupakan sarana utama untuk mencapai tujuan dalam mengelola aset, liabilitas dan modal sedemikian rupa dengan memperhatikan risiko terkait untuk tujuan penggunaan secara efisien dan optimum. Tujuan utama dari ALCO adalah:

- (i) memberikan arahan dan meyakinkan penerapan strategi untuk mengelola komposisi posisi keuangan dan struktur pendanaan Bank pada kondisi normal dan *stress*;
- (ii) memonitor risiko-risiko dan pengaruh dari kondisi pasar;
- (iii) menyediakan sarana untuk mendiskusikan masalah ALCO;
- (iv) memfasilitasi kerjasama antara bisnis/departemen yang berbeda;
- (v) menyelesaikan isu antar departemen seperti *transfer pricing* dan alokasi sumber daya;
- (vi) menelaah sumber dan alokasi pendanaan secara keseluruhan;
- (vii) melakukan perencanaan ke depan dan menentukan lingkungan perbankan yang paling sesuai untuk perencanaan aset/liabilitas di masa depan dan menelaah skenario kontinjensi; dan
- (viii) mengevaluasi skenario alternatif tingkat suku bunga, harga dan kombinasi portofolio; menelaah distribusi aset/liabilitas dan jatuh temponya.

4. FINANCIAL RISK MANAGEMENT (continued)

a. Introduction and overview (continued)

Risk management framework (continued)

The Bank's Audit Committee is responsible for:

- (i) monitoring and evaluating the planning and execution of audit and monitoring the follow-up results of the audit in order to assess the adequacy of internal controls including the adequacy of the financial reporting process;
- (ii) discussing and reviewing the audit plan of the Internal Audit Unit and presenting their findings on a regular basis.

The Risk Oversight Committee supervises the development of risk management policies and assesses the implementation. The Committee also provides advice on the risk management strategy to be employed by the Bank. In conducting its oversight role, the Risk Oversight Committee will also monitor and evaluate the performance of the Risk Management Committee chaired by the Head of Risk Management Unit.

The ALCO is the primary vehicle for achieving the objectives of managing assets, liabilities and capital with the consideration of related risks for the purpose of efficient and optimum utilisation. The main purposes of the ALCO are to:

- (i) provide direction and ensure tactical follow-through to manage the Bank's balance sheet composition and funding structure under normal and stressed conditions;
- (ii) monitor the risks and market influences;
- (iii) provide a forum for discussing ALCO issues;
- (iv) facilitate teamwork between different businesses/departments;
- (v) resolve departmental inter-face issues such as transfer pricing and resource allocation;
- (vi) review overall sourcing and allocation of funding;
- (vii) plan and determine the most appropriate banking environment for asset/liability forward planning and review contingency scenarios; and
- (viii) evaluate alternative rate, pricing and portfolio mix scenarios; review asset/liability distributions and maturities.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

a. Pendahuluan dan gambaran umum (lanjutan)

Kerangka manajemen risiko (lanjutan)

Komite Manajemen Risiko dibentuk dengan tujuan, di antaranya adalah:

- (i) untuk menelaah seluruh risiko secara sistematis dan memastikan terdapat pengendalian yang memadai sehingga tingkat pengembalian mencerminkan risiko-risiko terkait. Risiko-risiko yang harus ditelaah antara lain risiko kredit, risiko operasional, risiko pasar, risiko reputasi, dan risiko keberlanjutan;
- (ii) untuk mengidentifikasi masalah yang terkait dengan risiko pada seluruh bisnis sejak dini untuk menghindari kerugian yang tidak semestinya terjadi dan memastikan bahwa Bank telah memperhitungkan seluruh risiko dengan tepat; dan
- (iii) untuk menjalankan tata kelola dan pengawasan atas sistem penilaian risiko guna meyakinkan bahwa sistem tersebut telah tepat sasaran dan dipergunakan secara memadai untuk pengendalian risiko pada bisnis.

Satuan Kerja Manajemen Risiko Bank bertanggung jawab dalam penerapan manajemen risiko operasional yang mencakup:

- (i) pengawasan aktif dan manajemen proaktif dari Dewan Komisaris dan/atau Direksi terhadap profil risiko operasional Bank dan eksposurnya melalui rapat komite secara berkala;
- (ii) penetapan kebijakan dan prosedur dan limit risiko operasional termasuk penelaahan berkala dengan tujuan kepatuhan terhadap peraturan terbaru dan/atau praktik terbaik;
- (iii) pengimplementasian kerangka kerja manajemen risiko operasional yang mencakup proses identifikasi, penilaian, pemantauan dan pengendalian risiko operasional untuk menjaga tingkat kerugian risiko operasional Bank berada dalam batasan toleransi dan untuk menjaga Bank dari kemungkinan kerugian yang dapat terjadi; dan
- (iv) pengembangan budaya kesadaran risiko dan pengendalian pada seluruh jenjang organisasi melalui komunikasi yang memadai mengenai pentingnya pengendalian internal yang efektif.

4. FINANCIAL RISK MANAGEMENT (continued)

a. Introduction and overview (continued)

Risk management framework (continued)

The Risk Management Committee is established with having, among others, the following objectives:

- (i) to review all risks on a systematic basis and ensure that adequate controls exist and that the related returns reflect these risks. Risks to be reviewed include credit risk, operational risk, market risk, reputation risk, and sustainability risk;
- (ii) to identify risk issues across all businesses at an early stage to avoid unnecessary loss and ensure that the Bank is pricing all risks correctly; and
- (iii) to exercise governance and oversight over the Bank's risk rating systems to ensure that they are fit for purpose and adequately utilised to control risk in the business.

The Bank's Risk Management Task Force Unit is responsible for applying operational risk management which comprises:

- (i) active oversight and pro-active management from Board of Commissioners and/or Directors over Bank's operational risk profiles and its exposures through regular committee meetings;
- (ii) establishment of operational risk policies and procedures and operational risk appetite including its regular reviews in order to comply with updated regulations and/or best practices;
- (iii) implementation of operational risk management framework that comprises the identification, assessment, monitoring, and mitigation of operational risk so as to maintain losses within acceptable levels and to protect the Bank from foreseeable future losses; and
- (iv) development of risk and control awareness culture in all organisational level, through adequate communication regarding the importance of effective internal controls.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit

Risiko kredit adalah risiko kerugian keuangan yang timbul jika nasabah, klien atau rekanan Bank gagal memenuhi kewajiban kontraktualnya kepada Bank. Risiko kredit Bank terutama berasal dari kredit yang diberikan kepada nasabah.

Manajemen risiko yang telah diterapkan oleh Bank adalah sebagai berikut:

- Menetapkan kebijakan mengenai kewenangan persetujuan kredit.
- Menerbitkan laporan pengendalian risiko, yang memungkinkan Bank untuk mengidentifikasi dan mengambil langkah awal atas timbulnya tanda peringatan awal.
- Melaksanakan fungsi pengawasan oleh Manajemen Senior dan Dewan Komisaris melalui pertemuan membahas risiko secara berkala.
- Fungsi persetujuan kredit dijalankan secara independen dari bagian bisnis dalam melakukan penelaahan dan pengambilan keputusan.
- Pembentukan unit khusus untuk melakukan fungsi penilaian kualitas kredit untuk memastikan bahwa deviasi di dalam proses pemberian kredit bisa diidentifikasi lebih awal.

i. Eksposur maksimum terhadap risiko kredit

Untuk aset keuangan yang diakui di laporan posisi keuangan, eksposur maksimum terhadap risiko kredit sama dengan nilai tercatatnya. Untuk bank garansi dan *irrevocable letter of credit* (L/C) yang diterbitkan, eksposur maksimum terhadap risiko kredit adalah nilai yang harus dibayarkan oleh Bank jika kewajiban atas bank garansi dan *irrevocable* L/C yang diterbitkan terjadi. Untuk komitmen kredit, eksposur maksimum atas risiko kredit adalah sebesar jumlah fasilitas kredit komitmen (*committed*) yang belum digunakan oleh nasabah.

Tabel berikut menyajikan eksposur maksimum Bank terhadap risiko kredit untuk instrumen keuangan pada laporan posisi keuangan dan rekening administratif bersih setelah cadangan kerugian penurunan nilai, tanpa memperhitungkan agunan yang dimiliki atau peningkatan kualitas kredit lainnya.

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk

Credit risk is the risk of financial loss, should any of the Bank's customers, clients or counterparties fail to fulfil their contractual obligations to the Bank. Credit risk in the Bank mainly arises from loans to customers.

The risk management applied by the Bank is as follows:

- *Establishing policies on credit approval authority.*
- *Issuing risk control reports which allow the Bank to identify and take an early action on potential warning signs.*
- *Performing oversight function by Senior Management and Board of Commissioners through regular risk meetings.*
- *The credit approval function acts independently from business in its review and giving its decision.*
- *Establishment of a team to conduct the credit quality assessment to ensure that deviations in the credit initiation process can be identified at an early stage.*

i. Maximum exposure to credit risk

For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals their carrying amount. For bank guarantees and irrevocable letter of credit (L/C) issued, the maximum exposure to credit risk is the amount that the Bank would have to pay if the obligations of the bank guarantees and irrevocable L/C issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the unused committed credit facilities granted to customers.

The following table presents the Bank's maximum exposure to credit risk of financial instruments in the statement of financial position and off-balance sheet accounts net after allowance for impairment losses, without taking into account any collateral held or other credit enhancement.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

b. Risiko kredit (lanjutan)

b. Credit risk (continued)

i. Eksposur maksimum terhadap risiko kredit (lanjutan)

i. Maximum exposure to credit risk (continued)

	2018	2017	
Laporan posisi keuangan:			Statement of financial position:
Giro pada Bank Indonesia	7.777.923	6.755.215	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	1.996.602	1.866.023	Demand deposits with other banks
Penempatan pada Bank Indonesia	349.898	1.249.637	Placements with Bank Indonesia
Penempatan pada bank-bank lain	7.507.532	6.353.055	Placements with other banks
Efek-efek untuk tujuan investasi	12.599.817	13.703.861	Investment securities
Aset keuangan dalam kelompok diperdagangkan	2.903.759	5.153.632	Financial assets held for trading
Tagihan derivatif	541.882	189.255	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	1.093.927	500.000	Securities purchased with agreement to resell
Wesel ekspor	1.081.959	1.218.778	Export bills
Tagihan akseptasi	2.405.640	1.827.734	Acceptance receivables
Kredit yang diberikan kepada nasabah	66.343.972	57.951.447	Loans to customers
Aset lain-lain – pendapatan yang masih akan diterima	550.708	531.630	Other assets – accrued income
	<u>105.153.619</u>	<u>97.300.267</u>	
Rekening administratif dengan risiko kredit:			Off-balance sheet accounts with credit risk:
L/C yang tidak dapat dibatalkan	3.035.786	2.307.855	Irrevocable L/C
Fasilitas kredit yang belum digunakan - committed	1.061.317	2.202.919	Unused credit facilities - committed
Bank garansi yang diterbitkan	10.525.813	10.447.404	Bank guarantees issued
	<u>14.622.916</u>	<u>14.958.178</u>	
Jumlah	<u><u>119.776.535</u></u>	<u><u>112.258.445</u></u>	Total

ii. Pembagian aset keuangan berdasarkan kualitas kredit

ii. Distribution of financial assets by their credit quality

Sejak tahun 2017, peringkat kualitas kredit ditentukan berdasarkan estimasi internal Bank atas kemungkinan gagal bayar selama setahun dari debitur-debitur atau portofolio tertentu yang dinilai berdasarkan sejumlah faktor-faktor kualitatif dan kuantitatif.

Since 2017, the grading of credit quality is determined based on the Bank's internal estimate of probability of default over a one-year horizon, from debtors or portfolios assessed against a range of quantitative and qualitative factors.

Perbaikan peringkat dari yang mengalami penurunan nilai menjadi tidak mengalami penurunan nilai baru dapat dilakukan apabila debitur telah menunjukkan kepastian pemulihan dan kembali ke kondisi normal.

Improvement in the grading from impaired to not-impaired can only be made if debtors have shown evidence of recovery and have returned to normal condition.

Lima klasifikasi kualitas kredit yang dinyatakan di bawah ini mencakup peringkat kredit internal yang lebih terperinci yang diterapkan pada pinjaman korporasi dan bisnis ritel, termasuk peringkat eksternal yang diterapkan oleh agensi eksternal untuk efek utang.

The five credit quality classifications defined below encompass a range of more granular, internal credit rating grades assigned to wholesale and retail lending business, as well as the external ratings attributed by external agencies to debt securities.

Peringkat ditentukan berdasarkan estimasi internal Bank atas kemungkinan gagal bayar selama setahun dari debitur-debitur atau portofolio tertentu yang dinilai berdasarkan sejumlah faktor-faktor kualitatif dan kuantitatif.

The grading is based on the Bank's internal estimate of probability of default over a one-year horizon, with customers or portfolios assessed against a range of quantitative and qualitative factors.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

b. Risiko kredit (lanjutan)

b. Credit risk (continued)

- ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

- ii. Distribution of financial assets by their credit quality (continued)

Klasifikasi kualitas/ Quality classification	Kredit non-ritel/ Non-retail lending ¹⁾	Kredit ritel/ Retail lending ²⁾	Efek-efek utang dan tagihan lain/ Debt securities and other bills
Lancar/Strong	CRR 1 - CRR 2	EL 1 - EL 2	A- ke atas/A- and above
Baik/Good	CRR 3	EL 3	BBB+ sampai dengan BBB-/ BBB+ to BBB-
Memuaskan/Satisfactory	CRR 4 - CRR 5	EL 4 - EL 5	BB+ sampai dengan B, dan tanpa peringkat/ BB+ to B, and without rating
Kurang Lancar/Sub-standard	CRR 6 - CRR 8	EL 6 - EL 8	B- sampai dengan C/ B-to C
Penurunan nilai/Impaired	CRR 9 - CRR 10	EL 9 - EL 10	Gagal bayar/Default

¹⁾ CRR: Customer Risk Rating

²⁾ EL: Expected Loss

Definisi dari kualitas kredit Bank adalah sebagai berikut:

The Bank's credit quality definitions are as follows:

- Lancar: eksposur kredit memiliki kapasitas yang kuat untuk memenuhi komitmen keuangan dengan kemungkinan gagal dan/atau tingkat ekspektasi kerugian yang rendah. Rekening kredit ritel bergerak sesuai pada parameter produknya dan hanya sesekali menunjukkan keterlambatan pembayaran.
- Baik: eksposur kredit memerlukan pengawasan yang lebih dekat dan memiliki kapasitas yang cukup untuk memenuhi komitmen keuangan dengan risiko gagal bayar yang rendah. Rekening kredit ritel umumnya hanya menunjukkan tingkat keterlambatan pembayaran yang pendek dengan kerugian, jika ada, dapat diminimalisasi setelah penerapan proses pemulihan.
- Memuaskan: eksposur kredit memerlukan pengawasan yang lebih melekat dan menunjukkan kemampuan menengah untuk memenuhi komitmen keuangan dengan tingkat risiko gagal yang moderat. Rekening kredit ritel umumnya hanya menunjukkan tingkat keterlambatan pembayaran yang pendek, dimana kerugian yang terjadi, jika ada, diharapkan kecil setelah penerapan proses pemulihan.
- Kurang Lancar: eksposur kredit memerlukan perhatian khusus dengan tingkat yang bervariasi dan risiko gagal bayar yang meningkat. Rekening kredit ritel menunjukkan ekspektasi kerugian yang lebih tinggi disebabkan oleh menurunnya kemampuan untuk memitigasi risiko tersebut melalui realisasi agunan atau proses pemulihan lainnya.

- Strong: credit exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss. Retail accounts operate within product parameters and only exceptionally show any period of delinquency.
- Good: credit exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk. Retail accounts typically show only short periods of delinquency, with any losses, if any, expected to be minimal following the adoption of recovery processes.
- Satisfactory: credit exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk. Retail accounts typically show only short periods of delinquency, with any losses expected, if any, to be minor following the adoption of recovery processes.
- Sub-standard: credit exposures require varying degrees of special attention and increased default risk. Retail accounts show higher expected loss due to a reduced ability to mitigate the risk through collateral realisation or other recovery processes.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

- ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

Definisi dari kualitas kredit Bank adalah sebagai berikut: (lanjutan)

- Penurunan nilai: eksposur kredit telah dievaluasi sebagai kredit bermasalah. Eksposur - eksposur ini adalah dimana Bank mempertimbangkan bahwa nasabah tidak lagi mempunyai kemampuan membayar seluruh kewajiban kreditnya tanpa merealisasi agunan, jika ada, atau untuk nasabah ritel, pembayaran kewajiban kredit yang material telah terlambat lebih dari 90 hari.

Customer Risk rating (CRR) dengan 10 skala peringkat di atas merupakan ringkasan dan 23 skala peringkat yang lebih terperinci atas probabilitas gagal bayar dari debitur.

Setiap peringkat CRR dikaitkan dengan peringkat eksternal dengan mengacu pada tingkat gagal bayar jangka panjang untuk peringkat tersebut, diwakili oleh rata-rata gagal bayar historis tertimbang. Pemetaan antara penilaian internal dan eksternal merupakan indikasi dan dapat bervariasi dari waktu ke waktu.

Expected Loss (EL) dengan 10 skala peringkat untuk bisnis ritel merupakan ringkasan dari skala EL yang lebih terperinci untuk segmen nasabah ritel, yang mengkombinasikan faktor risiko peminjam dan risiko fasilitas/produk dalam sebuah pengukuran gabungan.

Untuk efek-efek utang dan instrumen keuangan tertentu lainnya, peringkat eksternal telah diselaraskan dengan lima klasifikasi kualitas berdasarkan pemetaan CRR terkait dengan peringkat kredit eksternal.

Eksposur yang telah ditentukan sebagai telah jatuh tempo tetapi tidak mengalami penurunan nilai disajikan pada tabel di atas dalam klasifikasi terpisah sebagai "Aset keuangan yang telah jatuh tempo tetapi tidak mengalami penurunan nilai". Contoh-contoh eksposur yang telah jatuh tempo tetapi tidak mengalami penurunan nilai termasuk pinjaman yang terlambat melakukan pembayaran terakhir saat jatuh tempo tetapi tidak terdapat bukti adanya penurunan nilai; pinjaman korporasi yang sepenuhnya dijamin dengan agunan kas; fasilitas perdagangan jangka pendek yang telah jatuh tempo karena alasan-alasan teknis seperti keterlambatan dokumentasi, tetapi tidak merupakan sebuah kekhawatiran atas kemampuan membayar debitur.

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

- ii. Distribution of financial assets by credit quality (continued)

The Bank's credit quality definitions are as follows: (continued)

- *Impaired: credit exposures have been assessed as troubled accounts. These are exposures where the Bank considers that either the customer is unlikely to pay its credit obligations in full, without foreclosing the collaterals, if any, or for retail customer is past due more than 90 days on any material credit obligation.*

The Customer Credit Risk Rating (CRR) 10-grade scale summarizes a more granular underlying 23-grade scale of obligor probability of default (PD).

Each CRR grade is associated with an external rating grade by referring to long-run default rates for that grade, represented by average of issuer-weighted historical default rates. This mapping between internal and external rating is indicative and may vary over time.

The expected loss (EL) 10-grade scale for retail business summarizes a more granular underlying EL scale for retail customer segment; which combine obligor and facility/product risk factors in a composite measure.

For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications based upon the mapping of related CRR to external credit grade.

Exposure designated as past due but not impaired are disclosed in the above table in a separate classification as "Past due but not impaired financial assets". Examples of exposure designated as past due but not impaired include loans that have missed the most recent payment date but on which there is no evidence of impairment; corporate loans fully secured by cash collateral; short-term trade facilities past due for technical reasons such as delays in documentation, but where there is no concern over the creditworthiness of the debtor.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

b. Risiko kredit (lanjutan)

b. Credit risk (continued)

ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

ii. Distribution of financial assets by credit quality (continued)

Pembagian aset keuangan berdasarkan kualitas kreditnya pada tanggal 31 Desember 2018 dan 2017 disajikan di bawah ini:

Distribution of financial assets by their credit quality as of 31 December 2018 and 2017 is summarised as below:

	2018										Assets at amortised cost	Impaired financial assets	Past due but not impaired financial assets:	Neither past due nor impaired financial assets:	Less: allowance for impairment losses	Carrying amount - amortised cost
	Giro pada Bank Indonesia/ Demand deposits with Bank Indonesia	Giro pada bank-bank lain/ Demand deposits with other banks	Penempatan pada Bank Indonesia/ Placements with Bank Indonesia	Penempatan pada bank-bank lain/ Placements with other banks	Efek-efek untuk investasi/ Investment securities	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for trading	Tagihan derivatif/ Derivative receivables	Wesel ekspor/ Export bills	Kredit yang diberikan kepada nasabah bersih/ Loans to customers - net	Aset lain-lain - pendapatan yang masih akan diterima/ Other assets - accrued income						
Aset pada biaya perolehan diamortisasi																
Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	526	7.451	2.889.620	113	2.897.710				
Aset keuangan yang telah jatuh tempo tetapi tidak mengalami penurunan nilai:																
Sampai dengan 29 hari	-	-	-	-	-	-	-	-	-	107.357	-	107.357				
Dari 30 hari sampai dengan 59 hari	-	-	-	-	-	-	-	-	-	67.259	-	67.259				
Dari 60 hari sampai dengan 89 hari	-	-	-	-	-	-	-	-	-	13.657	-	13.657				
Aset keuangan yang belum jatuh tempo dan tidak mengalami penurunan nilai:																
Lancar	4.247.633	1.947.152	349.898	7.507.532	-	-	-	292.507	490.705	17.692.687	289.411	33.911.452				
Baik	3.530.290	26.946	-	-	-	-	-	455.474	450.511	19.320.895	74.643	23.858.759				
Memuaskan	-	22.504	-	-	-	-	-	276.638	1.214.128	24.829.472	170.729	26.513.471				
Kurang lancar	-	-	-	-	-	-	-	56.814	242.845	3.554.353	15.812	3.869.824				
Dikurangi: cadangan kerugian penurunan nilai	-	-	-	-	-	-	-	-	-	(2.131.328)	-	(2.131.328)				
Jumlah nilai tercatat - biaya perolehan diamortisasi	7.777.923	1.996.602	349.898	7.507.532	-	-	-	1.081.959	2.405.640	66.343.972	550.708	89.108.161				

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

b. Risiko kredit (lanjutan)

b. Credit risk (continued)

ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

ii. Distribution of financial assets by credit quality (continued)

Pembagian aset keuangan berdasarkan kualitas kreditnya pada tanggal 31 Desember 2018 dan 2017 disajikan di bawah ini: (lanjutan)

Distribution of financial assets by their credit quality as of 31 December 2018 and 2017 is summarised as below: (continued)

2018 (lanjutan/continued)													
	Giro pada Bank Indonesia/ Demand deposits with Bank Indonesia	Giro pada bank-bank lain/ Demand deposits with other banks	Penempatan pada Bank Indonesia/ Placements with Bank Indonesia	Penempatan pada bank-bank lain/ Placements with other banks	Efek-efek untuk tujuan investasi/ Investment securities	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for trading	Tagihan derivatif/ Derivative receivables	Efek-efek yang dibeli dengan janji pembelian/ Securities purchased with agreement to resell	Wesel ekspor/ Export bills	Tagihan akseptansi/ Acceptance receivables	Kredit yang diberikan kepada nasabah - bersih/ Loans to customers - net	Aset lain-lain - pendapatan yang masih akan diterima/ Other assets - accrued income	Jumlah/ Total
Aset pada nilai wajar													
Aset keuangan yang belum jatuh tempo dan tidak mengalami penurunan nilai:													
Lancar	-	-	-	-	12.599.817	2.903.759	438.329	-	-	-	-	-	15.941.905
Baik	-	-	-	-	-	-	51.188	-	-	-	-	-	51.188
Memuaskan	-	-	-	-	-	-	52.358	-	-	-	-	-	52.358
Kurang lancar	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah nilai tercatat - nilai wajar	-	-	-	-	12.599.817	2.903.759	541.882	-	-	-	-	-	16.045.456
Jumlah nilai tercatat	7.777.923	1.996.602	349.898	7.507.532	12.599.817	2.903.759	541.882	1.093.927	1.081.959	2.405.640	66.343.972	550.708	105.153.619

Ases pada nilai wajar

Ases keuangan yang belum jatuh tempo dan tidak mengalami penurunan nilai:
 Bancar
 Bank
 Menuskar
 Kurang lancar

Jumlah nilai tercatat - nilai wajar

Jumlah nilai tercatat

Assets at fair value

Neither past due nor impaired financial assets:
 Strong
 Good
 Satisfactory
 Sub-standard
 Carrying amount - fair value

Carrying amount - fair value

Total carrying amount

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

Pembagian aset keuangan berdasarkan kualitas kreditnya pada tanggal 31 Desember 2018 dan 2017 disajikan di bawah ini: (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

ii. Distribution of financial assets by credit quality (continued)

Distribution of financial assets by their credit quality as of 31 December 2018 and 2017 is summarised as below: (continued)

	2017											
	Giro pada Bank Indonesia/ Demand deposits with Bank Indonesia	Giro pada bank-bank lain/ Deposits with other banks	Penempatan pada Bank Indonesia/ Placements with Bank Indonesia	Penempatan pada bank-bank lain/ Placements with other banks	Efek-efek untuk tujuan investasi/ Investment securities	Aset keuangan dalam kelompok perdagangan/ Financial assets held for trading	Tagihan derivatif/ Derivative receivables	Efek-efek yang dibeli dengan janji dijual kembali/ Securities purchased with agreement to resell	Wesel ekspor/ Export bills	Kredit yang diberikan kepada nasabah/ Loans to customers - net	Aset lain-lain – pendapatan yang masih akan diterima/ Other assets – accrued income	Assets at amortised cost
Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	-	360	2.879.530	120.119	Impaired financial assets
Aset keuangan yang telah jatuh tempo tetapi tidak mengalami penurunan nilai:												Past due but not impaired financial assets:
Sampai dengan 29 hari	-	-	-	-	-	-	-	-	321.863	207.445	-	Up to 29 days
Dari 30 hari sampai dengan 59 hari	-	-	-	-	-	-	-	-	-	34.801	-	From 30 days to 59 days
Dari 60 hari sampai dengan 89 hari	-	-	-	-	-	-	-	-	-	13.754	-	From 60 days to 89 days
Aset keuangan yang belum jatuh tempo dan tidak mengalami penurunan nilai:												Neither past due nor impaired financial assets:
Lancar	3.458.313	1.801.006	1.249.637	6.353.055	-	-	-	-	622.842	7.011.533	175.288	Strong
Baik	3.296.902	53.937	-	-	-	-	-	500.000	34.787	13.213.542	51.961	Good
Memuaskan	-	11.080	-	-	-	-	-	-	208.452	29.854.663	151.523	Satisfactory
Kurang lancar	-	-	-	-	-	-	-	-	30.474	7.319.498	32.739	Sub-standard
Dikurangi: cadangan kerugian penurunan nilai	-	-	-	-	-	-	-	-	-	(2.583.319)	-	Less: allowance for impairment losses
Jumlah nilai tercatat - biaya perolehan diamortisasi	6.755.215	1.868.023	1.249.637	6.353.055	-	-	-	500.000	1.827.778	57.951.447	531.630	Carrying amount - amortised cost

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

Pembagian aset keuangan berdasarkan kualitas kreditnya pada tanggal 31 Desember 2018 dan 2017 disajikan di bawah ini: (lanjutan)

Distribution of financial assets by their credit quality as of 31 December 2018 and 2017 is summarised as below: (continued)

2017 (lanjutan/continued)									
Aset pada nilai wajar	Giro pada Bank Indonesia/ Demand deposits with Bank Indonesia	Giro pada bank-bank lain/ Deposits with other banks	Penempatan pada Bank Indonesia/ Placements with Bank Indonesia	Penempatan pada bank-bank lain/ Placements with other banks	Efek-efek untuk tujuan investasi/ Investment securities	Efek-efek dalam kelompok diperdagangkan/ Financial assets held for trading	Tagihan derivatif/ Derivative receivables	Efek-efek yang dibeli dengan janji dijual/ Securities purchased with agreement to resell	Wesel ekspor/ Export bills
Aset pada nilai wajar	-	-	-	-	-	-	102.228	-	-
	-	-	-	-	13.703.861	5.026.762	79.334	-	-
	-	-	-	-	-	126.870	7.692	-	-
	-	-	-	-	-	-	1	-	-
	-	-	-	-	13.703.861	5.153.632	189.255	-	-
Jumlah nilai tercatat - nilai wajar	6.755.215	1.866.023	1.249.637	6.353.055	13.703.861	5.153.632	189.255	500.000	1.218.778
Assets at fair value	Kredit yang diberikan kepada nasabah/ Loans to customers - net								
	Tagihan akseptasi/ Acceptance receivables								
	Aset lain-lain - pendapatan yang masih akan diterima/ Other assets - accrued income								
	Jumlah/ Total								
	-	-	-	-	-	-	-	-	-
Neither past due nor impaired financial assets:	Strong								
	Good								
	Satisfactory								
	Sub-standard								
	Carrying amount - fair value								
Jumlah nilai tercatat	6.755.215	1.866.023	1.249.637	6.353.055	13.703.861	5.153.632	189.255	500.000	1.218.778
Total carrying amount	531.630								

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

iii. Agunan

Agunan digunakan untuk memitigasi eksposur risiko kredit. Kebijakan mitigasi risiko menentukan jenis agunan yang dapat diterima. Umumnya jenis agunan yang diterima Bank untuk memitigasi risiko kredit diantaranya adalah kas, giro, tabungan, deposito berjangka, rumah tinggal, properti komersial dan industri, garansi bank dan *letters of credit*. Untuk jenis pembiayaan tertentu, umumnya kredit pemilikan rumah dan pembiayaan aset, adanya hak untuk mengambil alih aset fisik merupakan hal penting dalam penentuan harga dan pemulihan yang dapat diperoleh dalam hal terjadi kegagalan pembayaran kredit.

Agunan dilaporkan sesuai dengan kebijakan mitigasi risiko Bank. Jika diperlukan, nilai agunan disesuaikan guna mencerminkan kondisi pasar terkini, probabilitas pemulihan agunan dan jangka waktu untuk merealisasikan agunan dalam hal terjadi pengambilalihan.

Persyaratan agunan bukanlah merupakan pengganti faktor kemampuan debitur dalam hal pembayaran kembali kredit, di mana hal ini menjadi pertimbangan utama dalam setiap keputusan pemberian kredit. Dalam menentukan dampak keuangan agunan terhadap kredit yang belum jatuh tempo dan belum mengalami penurunan nilai, Bank menilai signifikansi agunan terkait dengan jenis pembiayaan yang diberikan.

Agunan non-fisik, seperti garansi korporasi dan *letters of comfort* dapat juga dimiliki Bank untuk eksposur korporasi meskipun dampak keuangan untuk jenis agunan ini kurang signifikan dalam hal pemulihan kredit.

Untuk jenis eksposur tertentu seperti L/C dan garansi, Bank juga memperoleh agunan seperti kas yang terkait dengan penilaian internal risiko kredit untuk eksposur tersebut. Selain itu, untuk produk *trade finance* seperti *letters of credit*, dalam hal terjadi gagal bayar Bank juga memiliki hak hukum atas aset yang mendasarinya.

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

iii. Collaterals

Collateral is held to mitigate credit risk exposures. Risk mitigation policies determine the eligibility of collateral types. Typically the Bank uses cash, current accounts, saving accounts, time deposits, residential, commercial and industrial property, bank guarantee, and letters of credit as eligible collateral to mitigate credit risk. For certain types of lending, typically mortgages and asset financing, the right to repossess the assets is critical in determining appropriate pricing and recoverability in the event of default.

Collateral is reported in accordance with the Bank's risk mitigation policy. Where appropriate, collateral values are adjusted to reflect current market conditions, its probability of recovery and the period of time to realize the collateral in the event of repossession.

The requirement for collateral is not a substitute factor for the debtor's ability to pay, which is the primary consideration for any lending decisions. In determining the financial effect of collateral held against loans that are neither past due nor impaired, the Bank assessed the significance of the collateral held in relation to the type of lending.

Non-tangible collateral, such as corporate guarantees and letters of comfort, may also be held against Bank corporate exposures although the financial effect of this type of collateral is less significant in terms of recoveries.

For certain types of exposures such as L/C and guarantees, the Bank also obtains collateral such as cash depending on internal credit risk assessments. In addition, for trade finance products such as letters of credit, the Bank will also hold legal title on the underlying assets should a default take place.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

iii. Agunan (lanjutan)

Tergantung dari peringkat kredit nasabah dan tipe produk, fasilitas kredit dapat diberikan tanpa agunan. Penempatan pada Bank Indonesia dan bank-bank lainnya, derivatif, efek-efek untuk tujuan investasi dari sektor pemerintah, dan pinjaman ritel lainnya yang terdiri dari pinjaman perseorangan, cerukan dan kartu kredit, semuanya adalah pinjaman tanpa agunan. Tetapi untuk pinjaman lainnya agunan umumnya diperlukan dan diperhitungkan dalam menentukan keputusan kredit dan harga.

Dalam hal terjadi kegagalan bayar, Bank dapat menggunakan agunan sebagai sumber pembayaran kembali. Tergantung dari fasilitas kreditnya, agunan dapat memberikan dampak keuangan yang signifikan dalam memitigasi eksposur risiko kredit.

Kredit properti

Khusus untuk Kredit Pemilikan Rumah, Bank wajib menjaga rasio *Loan to Value* (LTV). Rasio LTV dihitung berdasarkan nilai tercatat bruto dari kredit dan, jika ada, komitmen fasilitas kredit rekening administratif, terhadap nilai agunan. Metodologi untuk memperoleh nilai agunan properti pada umumnya ditentukan melalui kombinasi dari hasil jasa penilai profesional, indeks harga properti atau analisa statistik. Penilaian harus diperbaharui secara berkala dan minimal dilakukan setiap tiga puluh enam (36) bulan sekali. Frekuensi penilaian dilakukan lebih sering jika kondisi pasar atau kinerja portofolio mengalami perubahan yang signifikan atau ketika terdapat kredit yang teridentifikasi dan dinyatakan sebagai bermasalah.

Untuk kredit properti komersil, LTV rasio maksimum adalah 75%-90%, sebagaimana diatur pada Peraturan Bank Indonesia No.18/16/PBI/2016. Sementara kredit pemilikan rumah pada kelompok LTV yang lebih tinggi, termasuk yang lebih besar dari 100%, merupakan kredit pemilikan rumah untuk karyawan Bank.

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

iii. Collaterals (continued)

Depending on the customer's credit rating and the type of product, facilities may be provided unsecured. Placements with Bank Indonesia and other banks, derivatives, investment securities from government sectors, and other retail lending which consist primarily of personal lending, overdrafts and credit cards are all unsecured loans. However, for other lending a charge over collateral is normally obtained and considered in determining the credit decision and pricing.

In the event of default, the Bank may utilize the collateral as a source of repayment. Depending on its credit facility, collateral can have a significant financial effect in mitigating exposure to credit risk.

Mortgage lending

Specifically for mortgages, the Bank is required to maintain a Loan to Value (LTV) ratio. The LTV ratio is calculated as the gross on-balance sheet carrying amount of the loans and any off-balance sheet loan commitment at the balance sheet date divided by the value of collateral. The methodologies for obtaining property collateral values are typically determined through a combination of professional appraisals, property price indices or statistical analysis. Valuations must be updated on a regular basis and, at a minimum, at intervals of every thirty six (36) months. Valuations are conducted more frequently when market conditions or portfolio performance are subject to significant change or when a loan is identified and assessed as impaired.

For commercial mortgage lending, the LTV ratio has been set at maximum of 75%-90%, as set out in Bank Indonesia Regulation No.18/16/PBI/2016. While mortgages in the higher LTV bands, including greater than 100% LTV, are the Bank's staff housing loans.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

iii. Agunan (lanjutan)

Kredit korporasi

Pinjaman kepada nasabah korporasi ditentukan atas dasar evaluasi kredit dan pengujian penurunan nilai secara individual. Secara umum kemampuan membayar nasabah korporasi merupakan indikasi yang paling relevan terhadap kualitas kredit dari pinjaman yang diberikan dan merupakan pertimbangan yang utama dalam pengambilan keputusan pemberian kredit korporasi. Namun, agunan merupakan jaminan tambahan dan Bank dapat meminta nasabah korporasi untuk menyediakan agunan. Jenis-jenis agunan yang pada umumnya disyaratkan pada kredit korporasi dapat berupa hak tanggungan pertama atas properti, aset-aset korporasi dengan nilai dan kuantitas bergerak serta jaminan dan garansi lainnya.

Dalam aktivitas pembiayaan terhadap kredit korporasi, nilai agunan tidak berkorelasi langsung terhadap kemampuan membayar nasabah korporasi. Terlebih lagi, untuk beberapa jenis agunan yang umum dijamin pada kredit korporasi, seperti jaminan garansi korporasi, *letters of comfort* dan aset-aset korporasi dengan nilai dan kuantitas bergerak dimana nilai atas agunan tersebut tidak dapat ditentukan secara pasti.

Ketika kemampuan membayar nasabah korporasi memburuk dan perlu dilakukan evaluasi atas kemampuan pembayaran kembali melalui sumber jaminan lain yang tersedia, penilaian agunan secara umum akan dilakukan dengan frekuensi yang lebih sering. Ketika terdapat kredit korporasi yang teridentifikasi dan dinyatakan sebagai bermasalah, pengkinian nilai agunan kredit bermasalah tersebut dilakukan sedikitnya setiap 3 bulan, kecuali ditentukan lain oleh direktur yang berwenang.

iv. Analisa konsentrasi risiko kredit

Konsentrasi risiko kredit timbul ketika sejumlah nasabah menjalankan kegiatan usaha yang sejenis atau menjalankan kegiatan usaha dalam wilayah geografis yang sama, atau ketika nasabah memiliki karakteristik yang sejenis yang akan menyebabkan kemampuan mereka untuk memenuhi kewajiban kontraktualnya secara serupa dipengaruhi oleh perubahan kondisi ekonomi atau kondisi lainnya.

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

iii. Collaterals (continued)

Corporate lending

Loans and advances to corporate customers are subject to individual credit assessment and impairment testing. General creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended and is the primary consideration for any corporate lending decisions. Collateral however provides additional security and the Bank may request corporate customers to provide collateral. Types of collateral which are commonly taken for corporate lending may be in the form of a first charge of real estate, floating charges over corporate assets and other liens and guarantees.

For financing activities in corporate lending, collateral value is not directly correlated with principal repayment performance. Moreover, for some types of collateral commonly taken in corporate lending, such as corporate guarantees, letters of comfort and floating charges over corporate assets, the assignable value is insufficiently certain.

When a corporate customer's general credit performance deteriorates and it is necessary to assess the likely performance of secondary sources of repayment, the valuation of collateral will generally be conducted on a more frequent basis. When a corporate loan is identified and assessed as impaired, the collateral must be revalued at least every 3 months, unless otherwise determined by authorized director.

iv. Concentration of credit risk analysis

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

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b. Risiko kredit (lanjutan)

iv. Analisa konsentrasi risiko kredit (lanjutan)

Tabel berikut menyajikan konsentrasi aset keuangan berdasarkan debitur:

	2018			
	Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/Banks	
Giro pada Bank Indonesia	-	7.777.923	-	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	-	-	1.996.602	Demand deposits with other banks
Penempatan pada Bank Indonesia	-	349.898	-	Placement with Bank Indonesia
Penempatan pada bank-bank lain	-	-	7.507.532	Placements with other banks
Efek-efek untuk tujuan investasi	-	12.599.817	-	Investment securities
Aset keuangan dalam kelompok diperdagangkan	-	2.903.759	-	Financial assets held for trading
Tagihan derivatif	158.605	-	383.277	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	1.093.927	-	Securities purchased with agreement to resell
Wesel Ekspor	1.081.959	-	-	Export Bills
Tagihan akseptasi	2.080.674	-	324.966	Acceptance receivables
Kredit yang diberikan kepada nasabah - bersih	66.343.972	-	-	Loans to customers - net
Aset lain-lain – pendapatan yang masih akan diterima	304.533	246.175	-	Other assets – accrued income
Rekening administratif dengan risiko kredit	14.598.065	-	24.851	Off-balance sheet accounts with credit risk
Jumlah	84.567.808	24.971.499	10.237.228	Total
%	71%	21%	9%	%

	2017			
	Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/Banks	
Giro pada Bank Indonesia	-	6.755.215	-	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	-	-	1.866.023	Demand deposits with other banks
Penempatan pada Bank Indonesia	-	1.249.637	-	Placement with Bank Indonesia
Penempatan pada bank-bank lain	-	-	6.353.055	Placements with other banks
Efek-efek untuk tujuan investasi	-	13.703.861	-	Investment securities
Aset keuangan dalam kelompok diperdagangkan	126.870	5.026.762	-	Financial assets held for trading
Tagihan derivatif	72.938	-	116.317	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	-	500.000	Securities purchased with agreement to resell
Wesel Ekspor	1.218.778	-	-	Export Bills
Tagihan akseptasi	1.602.983	-	224.751	Acceptance receivables
Kredit yang diberikan kepada nasabah - bersih	57.951.447	-	-	Loans to customers - net
Aset lain-lain – pendapatan yang masih akan diterima	384.609	145.688	1.333	Other assets – accrued income
Rekening administratif dengan risiko kredit	14.951.733	-	6.445	Off-balance sheet accounts with credit risk
Jumlah	76.309.358	26.881.163	9.067.924	Total
%	68%	24%	8%	%

Konsentrasi kredit yang diberikan kepada nasabah berdasarkan jenis kredit dan sektor ekonomi diungkapkan pada Catatan 14.

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

iv. Concentration of credit risk analysis (continued)

The following table presents the concentration of financial assets by type of debtors:

	2018			
	Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/Banks	
Giro pada Bank Indonesia	-	7.777.923	-	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	-	-	1.996.602	Demand deposits with other banks
Penempatan pada Bank Indonesia	-	349.898	-	Placement with Bank Indonesia
Penempatan pada bank-bank lain	-	-	7.507.532	Placements with other banks
Efek-efek untuk tujuan investasi	-	12.599.817	-	Investment securities
Aset keuangan dalam kelompok diperdagangkan	-	2.903.759	-	Financial assets held for trading
Tagihan derivatif	158.605	-	383.277	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	1.093.927	-	Securities purchased with agreement to resell
Wesel Ekspor	1.081.959	-	-	Export Bills
Tagihan akseptasi	2.080.674	-	324.966	Acceptance receivables
Kredit yang diberikan kepada nasabah - bersih	66.343.972	-	-	Loans to customers - net
Aset lain-lain – pendapatan yang masih akan diterima	304.533	246.175	-	Other assets – accrued income
Rekening administratif dengan risiko kredit	14.598.065	-	24.851	Off-balance sheet accounts with credit risk
Jumlah	84.567.808	24.971.499	10.237.228	Total
%	71%	21%	9%	%

	2017			
	Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/Banks	
Giro pada Bank Indonesia	-	6.755.215	-	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	-	-	1.866.023	Demand deposits with other banks
Penempatan pada Bank Indonesia	-	1.249.637	-	Placement with Bank Indonesia
Penempatan pada bank-bank lain	-	-	6.353.055	Placements with other banks
Efek-efek untuk tujuan investasi	-	13.703.861	-	Investment securities
Aset keuangan dalam kelompok diperdagangkan	126.870	5.026.762	-	Financial assets held for trading
Tagihan derivatif	72.938	-	116.317	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	-	500.000	Securities purchased with agreement to resell
Wesel Ekspor	1.218.778	-	-	Export Bills
Tagihan akseptasi	1.602.983	-	224.751	Acceptance receivables
Kredit yang diberikan kepada nasabah - bersih	57.951.447	-	-	Loans to customers - net
Aset lain-lain – pendapatan yang masih akan diterima	384.609	145.688	1.333	Other assets – accrued income
Rekening administratif dengan risiko kredit	14.951.733	-	6.445	Off-balance sheet accounts with credit risk
Jumlah	76.309.358	26.881.163	9.067.924	Total
%	68%	24%	8%	%

The concentration of loans to customers by type of loan and economic sector is disclosed in Note 14.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

c. Risiko pasar

Risiko pasar adalah risiko terjadinya kerugian yang disebabkan oleh adanya perubahan variabel-variabel pasar seperti perubahan tingkat bunga dan nilai tukar mata uang. Pendapatan Bank berasal dari selisih antara bunga yang dihasilkan dari aset dengan bunga yang dibayarkan atas dana pihak ketiga. Perubahan tingkat bunga dapat menyebabkan menurunnya pendapatan bunga, sehingga mempengaruhi kinerja Bank. Selain itu, pendapatan Bank dapat berasal dari selisih kurs mata uang dalam transaksi jual beli valuta asing. Perubahan nilai tukar dapat menyebabkan penurunan pendapatan Bank yang pada akhirnya dapat mempengaruhi kinerja Bank.

Manajemen risiko yang telah diterapkan oleh Bank adalah sebagai berikut:

- Melaksanakan fungsi ALCO untuk membahas kondisi pasar dan menetapkan tindakan yang akan diambil.
- Memantau dan mengukur tingkat risiko pasar dan melakukan *stress tests*.
- Memantau perubahan tingkat bunga dan kurs mata uang yang berlaku di pasar secara harian.
- Memantau pos-pos aset dan liabilitas sesuai dengan tanggal *re-pricing*.
- Melakukan analisa sensitivitas pendapatan bunga bersih terhadap perubahan tingkat bunga pasar dan kurs mata uang di pasar.
- Melakukan penyesuaian tingkat bunga kredit dan dana terhadap perubahan tingkat bunga pasar sesegera mungkin setelah terjadi perubahan tingkat bunga pasar.
- Mengelola dan memelihara posisi devisa neto (PDN) selalu berada di bawah level maksimum dan memonitor PDN intra hari sesuai dengan peraturan yang berlaku.

Secara garis besar, risiko pasar dibagi menjadi:

i. Risiko mata uang

Bank memiliki ekposur risiko mata uang melalui transaksi dalam valuta asing. Bank memonitor konsentrasi risiko yang terkait dengan setiap mata uang individual sehubungan dengan penjabaran transaksi, aset moneter dan liabilitas moneter dalam valuta asing ke dalam mata uang fungsional Bank, yaitu Rupiah.

Posisi devisa neto ("PDN") Bank dihitung berdasarkan Peraturan Bank Indonesia yang berlaku. Sesuai dengan peraturan yang berlaku, bank diwajibkan untuk memelihara posisi devisa neto secara keseluruhan setinggi-tingginya 20% dari jumlah modal.

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk

Market risk relates to the possibility of losses caused by fluctuations of the market variables, such as changes in interest rates and foreign exchange. The Bank's income is generated from the difference between interest income derived from assets and the interest paid to third party depositors. Changes in interest rates may reduce the interest income and consequently affect the Bank's performance. Likewise, the Bank may earn income from exchange rate differences in foreign exchange transactions. Changes in exchange rates may reduce the Bank's income and thereby affect the Bank's performance.

The risk management applied by the Bank is as follows:

- Implementing ALCO functions to review market conditions and to determine actions to be taken.
- Monitoring and measuring the level of market risk and conducting stress tests.
- Monitoring interest rate and exchange rate movements in the market on a daily basis.
- Monitoring maturity of asset and liability accounts in line with re-pricing dates.
- Performing sensitivity analysis of net interest income relative to market interest rate and market exchange rate movements.
- Adjusting interest rates of credit and funds to promptly counter any changes in market interest rates.
- Managing and maintaining a net open position (NOP) to be always below the maximum level and monitoring the NOP at all times (intra-day NOP) in accordance with the prevailing regulations.

In overall, market risk is divided into the following risks:

i. Currency risk

The Bank is exposed to currency risk through transaction in foreign currencies. The Bank monitors any concentration of risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the Bank's functional currency, i.e. Rupiah.

The Bank's net open position ("NOP") was calculated based on the prevailing Bank Indonesia regulations. In accordance with the regulations, banks are required to maintain its aggregate net foreign exchange position at a maximum of 20% of its capital.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

c. Risiko pasar (lanjutan)

c. Market risk (continued)

i. Risiko mata uang (lanjutan)

i. Currency risk (continued)

PDN Bank pada tanggal 31 Desember 2018 dan 2017 berdasarkan mata uang adalah sebagai berikut:

The Bank's NOP as of 31 December 2018 and 2017 by currencies were as follows:

2018			Posisi devisa neto (nilai absolut)/Net open position (absolute amount)
Aset/Assets	Liabilitas/ Liabilities		
Mata uang			
Keseluruhan (laporan posisi keuangan dan rekening administratif)			
Dolar Amerika Serikat	54.033.276	54.904.938	871.662
Dolar Australia	847.090	846.831	259
Dolar Singapura	661.052	660.712	340
Dolar Hong Kong	224.649	221.578	3.071
Pound Inggris	388.850	389.977	1.127
Yen Jepang	225.854	225.969	115
Yuan Cina	22.689	311.388	288.699
Yuan Cina Renminbi	436.623	141.681	294.942
Euro	1.913.207	1.911.975	1.232
Franc Swiss	98.825	97.968	857
Baht Thailand	3.556	50	3.506
Dolar Kanada	82.218	82.643	425
Krone Denmark	296	-	296
Rupiah India	174	77	97
Krona Swedia	600	52	548
Krone Norwegia	374	-	374
Dolar Selandia Baru	26.636	26.330	306
Ringgit Malaysia	-	1	1
Jumlah			1.467.857
Jumlah modal (Catatan 4f)			17.058.359
Posisi Devisa Neto			8,60%

Currencies	
Aggregate (statement of financial position and off-balance sheet accounts)	
United States Dollar	
Australian Dollar	
Singapore Dollar	
Hong Kong Dollar	
British Pound	
Japanese Yen	
China Yuan	
Chinese Yuan Renminbi	
Euro	
Swiss Franc	
Thailand Baht	
Canadian Dollar	
Danish Krone	
Indian Rupee	
Swedish Krona	
Norwegian Krone	
New Zealand Dollar	
Malaysian Ringgit	
Total	

Total capital (Note 4f)

Net Open Position

2017			Posisi devisa neto (nilai absolut)/Net open position (absolute amount)
Aset/Assets	Liabilitas/ Liabilities		
Mata uang			
Keseluruhan (laporan posisi keuangan dan rekening administratif)			
Dolar Amerika Serikat	64.429.741	65.026.483	596.742
Dolar Australia	730.986	729.614	1.372
Dolar Singapura	623.259	621.871	1.388
Dolar Hong Kong	154.262	148.786	5.476
Pound Inggris	278.227	277.833	394
Yen Jepang	1.472.408	1.481.567	9.159
Yuan Cina	82.581	235.251	152.670
Yuan Cina Renminbi	230.999	78.594	152.405
Euro	2.501.812	2.514.921	13.109
Franc Swiss	170.034	170.628	594
Baht Thailand	2.476	477	1.999
Dolar Kanada	119.843	118.570	1.273
Krone Denmark	1.024	-	1.024
Rupiah India	1.681	1.318	363
Krona Swedia	2.314	2.233	81
Krone Norwegia	408	-	408
Dolar Selandia Baru	32.977	33.880	903
Ringgit Malaysia	-	1	1
Jumlah			939.361
Jumlah modal (Catatan 4f)			16.130.481
Posisi Devisa Neto			5,82%

Currencies	
Aggregate (statement of financial position and off-balance sheet accounts)	
United States Dollar	
Australian Dollar	
Singapore Dollar	
Hong Kong Dollar	
British Pound	
Japanese Yen	
China Yuan	
Chinese Yuan Renminbi	
Euro	
Swiss Franc	
Thailand Baht	
Canadian Dollar	
Danish Krone	
Indian Rupee	
Swedish Krona	
Norwegian Krone	
New Zealand Dollar	
Malaysian Ringgit	
Total	

Total capital (Note 4f)

Net Open Position

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

c. Risiko pasar (lanjutan)

ii. Risiko tingkat bunga

Kegiatan usaha Bank dipengaruhi oleh risiko fluktuasi tingkat bunga sepanjang aset berbunga dan liabilitas berbunga (bukan untuk tujuan diperdagangkan) jatuh tempo atau *re-price* pada saat yang berbeda-beda atau dalam jumlah yang beragam.

Tabel di bawah ini menyajikan aset berbunga dan liabilitas berbunga (bukan untuk tujuan diperdagangkan) Bank pada nilai tercatat bersih setelah cadangan kerugian penurunan nilai, yang dikategorikan menurut mana yang terlebih dahulu antara tanggal *re-pricing* atau tanggal jatuh tempo:

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk (continued)

ii. Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities (not for trading purpose) mature or re-price at different times or in differing amounts.

The table below summarises the Bank's interest-earning assets and interest-bearing liabilities (not for trading purpose) at carrying amounts net after allowance for impairment losses, categorised by the earlier of contractual re-pricing or maturity dates:

2018						
	Jumlah/ Total	Hingga 3 bulan/ Up to 3 months	>3 - 6 bulan/ months	>6 - 12 bulan/ months	>1 - 5 tahun/ years	>5 tahun/ years
Giro pada Bank Indonesia	7.777.923	7.777.923	-	-	-	- Demand deposits with Bank Indonesia
Giro pada bank-bank lain	1.996.602	1.996.602	-	-	-	- Demand deposits with other banks
Penempatan pada Bank Indonesia	349.898	349.898	-	-	-	- Placements with Bank Indonesia
Penempatan pada bank-bank lain	7.507.532	7.507.532	-	-	-	- Placements with other banks
Efek-efek untuk tujuan investasi	12.599.817	3.365.495	2.969.848	2.744.174	3.520.300	- Investment securities
Wesel ekspor	1.081.959	1.001.103	80.856	-	-	- Export bills
Tagihan akseptasi	2.405.640	2.066.509	312.603	26.528	-	- Acceptance receivables
Efek-efek yang dibeli dengan janji dijual kembali	1.093.927	682.756	411.171	-	-	- Securities purchased with agreement to resell
Kredit yang diberikan kepada nasabah	66.343.972	66.343.972	-	-	-	- Loans to customers
	101.157.270	91.091.790	3.774.478	2.770.702	3.520.300	-
Simpanan dari nasabah	(54.906.968)	(53.165.194)	(1.137.139)	(604.635)	-	- Deposits from customers
Simpanan dari bank-bank lain	(8.776.773)	(8.776.773)	-	-	-	- Deposits from other banks
Efek-efek yang dijual dengan janji dibeli kembali	(1.454.081)	(1.454.081)	-	-	-	- Securities sold with agreement to repurchase
Pinjaman yang diterima	(19.973.820)	(19.973.820)	-	-	-	- Borrowings
Pinjaman subordinasi	(1.078.500)	-	(1.078.500)	-	-	- Subordinated debts
	(86.190.142)	(83.369.868)	(2.215.639)	(604.635)	-	-
	14.967.128	7.721.922	1.558.839	2.166.067	3.520.300	-
2017						
	Jumlah/ Total	Hingga 3 bulan/ Up to 3 months	>3 - 6 bulan/ months	>6 - 12 bulan/ months	>1 - 5 tahun/ years	>5 tahun/ years
Giro pada Bank Indonesia	6.755.215	6.755.215	-	-	-	- Demand deposits with Bank Indonesia
Giro pada bank-bank lain	1.866.023	1.866.023	-	-	-	- Demand deposits with other banks
Penempatan pada Bank Indonesia	1.249.637	1.249.637	-	-	-	- Placements with Bank Indonesia
Penempatan pada bank-bank lain	6.353.055	6.353.055	-	-	-	- Placements with other banks
Efek-efek untuk tujuan investasi	13.703.861	2.722.084	3.483.385	4.679.338	2.819.054	- Investment securities
Wesel ekspor	1.218.778	1.089.377	129.401	-	-	- Export bills
Tagihan akseptasi	1.827.734	1.535.733	292.001	-	-	- Acceptance receivables
Efek-efek yang dibeli dengan janji dijual kembali	500.000	-	500.000	-	-	- Securities purchased with agreement to resell
Kredit yang diberikan kepada nasabah	57.951.447	57.951.447	-	-	-	- Loans to customers
	91.425.750	79.522.571	4.404.787	4.679.338	2.819.054	-
Simpanan dari nasabah	(56.932.673)	(55.350.045)	(1.064.154)	(518.474)	-	- Deposits from customers
Simpanan dari bank-bank lain	(8.577.319)	(8.577.319)	-	-	-	- Deposits from other banks
Pinjaman yang diterima	(13.363.988)	(13.363.988)	-	-	-	- Borrowings
Pinjaman subordinasi	(1.017.563)	-	(1.017.563)	-	-	- Subordinated debts
	(79.891.543)	(77.291.352)	(2.081.717)	(518.474)	-	-
	11.534.207	2.231.219	2.323.070	4.160.864	2.819.054	-

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

c. Risiko pasar (lanjutan)

c. Market risk (continued)

ii. Risiko tingkat bunga (lanjutan)

ii. Interest rate risk (continued)

Berdasarkan perjanjian kredit dengan debitur/nasabah, Bank berhak mengubah besaran suku bunga sewaktu-waktu atas dasar pertimbangan Bank, kecuali untuk kredit-kredit tertentu yang sudah ditetapkan jangka waktu *re-pricing*.

Based on the loan agreement with the debtors/customers, the Bank has the rights to change the interest rates at any time at its discretion, except for certain loans which re-pricing period have been determined.

Tabel di bawah ini mengikhtisarkan suku bunga efektif rata-rata tertimbang pada tanggal 31 Desember 2018 dan 2017 untuk masing-masing instrumen keuangan.

The tables below summarise the weighted average effective interest rates as of 31 December 2018 and 2017 for each financial instrument.

	2018	2017
Aset Rupiah:		
Efek-efek untuk tujuan investasi:		
Sertifikat Bank Indonesia	6,12%	5,15%
Surat Perbendaharaan Negara	6,07%	4,29%
Obligasi pemerintah	7,85%	5,48%
Obligasi pemerintah – sukuk*)	6,77%	5,02%
Efek-efek yang dibeli dengan janji dijual kembali	6,27%	8,00%
Kredit yang diberikan kepada nasabah	11,27%	11,51%
Valuta asing:		
Penempatan pada bank-bank lain:		
<i>Call money</i>	1,98%	1,20%
Efek-efek untuk tujuan investasi:		
Obligasi pemerintah	4,48%	-
Kredit yang diberikan kepada nasabah	5,66%	4,33%

Assets Rupiah:	
Investment securities:	
Certificates of Bank Indonesia	
Treasury bills	
Government bonds	
Government bonds – sukuk*)	
Securities purchased with agreement to resell	
Loans to customers	
Foreign currencies:	
Placements with other banks:	
<i>Call money</i>	
Investment securities:	
Government bonds	
Loans to customers	

*) Menunjukkan rata-rata tertimbang dari bagi hasil

*) Represent weighted average of revenue sharing

	2018	2017
Liabilitas Rupiah:		
Simpanan dari nasabah:		
Giro	0,74%	0,48%
Tabungan	1,07%	1,13%
Deposito berjangka dan <i>deposits on call</i>	5,93%	5,05%
Simpanan dari bank-bank lain:		
Giro	1,87%	0,99%
<i>Call money</i>	6,26%	4,46%
Efek-efek yang dijual dengan janji dibeli kembali	6,29%	-
Valuta asing:		
Simpanan dari nasabah:		
Giro	0,01%	0,01%
Tabungan	0,06%	0,05%
Deposito berjangka dan <i>deposits on call</i>	1,30%	0,71%
Simpanan dari bank-bank lain:		
Giro	0,00%	0,00%
Pinjaman yang diterima	3,14%	1,82%
Pinjaman subordinasi	7,20%	5,42%

Liabilities Rupiah:	
Deposits from customers:	
Demand deposits	
Saving accounts	
Time deposits and deposits on call	
Deposits from other banks:	
Demand deposits	
<i>Call money</i>	
Securities sold with agreement to repurchase	
Foreign currencies:	
Deposits from customers:	
Demand deposits	
Saving accounts	
Time deposits and deposits on call	
Deposits from other banks:	
Demand deposits	
Borrowings	
Subordinated debts	

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

c. Risiko pasar (lanjutan)

iii. Value at Risk

Bank memisahkan eksposur risiko pasar antara portofolio yang diperdagangkan dan tidak diperdagangkan. Portofolio yang diperdagangkan meliputi posisi yang timbul dari pembentukan pasar dan *position-taking* dan lainnya yang ditetapkan pada nilai pasar. Portofolio yang tidak diperdagangkan meliputi posisi yang timbul terutama dari manajemen tingkat suku bunga atas aset berbunga dan liabilitas berbunga, dan efek-efek yang diklasifikasikan sebagai tersedia untuk dijual.

Salah satu alat utama yang digunakan oleh Bank untuk memantau dan membatasi eksposur risiko pasar adalah *Value at Risk* ("VaR"). VaR adalah teknik yang digunakan untuk mengestimasi potensi kerugian yang mungkin terjadi atas posisi risiko yang diambil sebagai akibat dari pergerakan suku bunga pasar dalam jangka waktu tertentu dan dengan tingkat keyakinan tertentu.

Metodologi VaR yang digunakan oleh Bank adalah berdasarkan simulasi historis. Simulasi historis merupakan salah satu metode yang paling umum digunakan, dimana diasumsikan distribusi perubahan faktor risiko pasar masa depan yang diharapkan (seperti nilai tukar mata uang asing dan tingkat bunga) adalah identik dengan distribusi (terpisah) faktor risiko yang sama yang diobservasi selama periode historis yang telah ditentukan sebelumnya.

Meskipun VaR adalah panduan yang berharga untuk pemantauan risiko, akan tetapi VaR harus juga dilihat dalam konteks keterbatasannya, antara lain:

- Penggunaan data historis untuk mengestimasi peristiwa di masa depan mungkin tidak mencakup semua peristiwa yang mungkin terjadi, terutama peristiwa yang ekstrem sifatnya;
- Penggunaan asumsi posisi per hari, mengasumsikan bahwa semua posisi dapat dilikuidasi atau risiko dapat saling hapus dalam jangka waktu satu hari. Hal ini mungkin tidak mencerminkan risiko pasar yang timbul pada saat kondisi likuiditas sangat terbatas, ketika posisi satu hari tidak cukup untuk melikuidasi atau melakukan lindung nilai terhadap semua posisi Bank secara menyeluruh;

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk (continued)

iii. Value at Risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market-making and position-taking and others designated as marked-to-market. Non-trading portfolios include positions that primarily arise from the interest rate management of interest-earning assets and interest-bearing liabilities, and investment securities designated as available-for-sale.

One of the principal tools used by the Bank to monitor and limit market risk exposure is Value at Risk ("VaR"). VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence.

The VaR methodology used by the Bank is based on historical simulation. Historical simulation is one of the most commonly used method, it assumes the expected distribution of future changes in market risk factors (e.g. foreign exchange rates and interest rates) is identical observed (discrete) distribution of the same risk factors over a pre-specified historical period.

Although VaR is a valuable guidance for risk monitoring, VaR should always be viewed in the context of its limitations, among others:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- The use of position per day assumes that all positions can be liquidated or the risks offset in one-day. This may not fully reflect the market risk arising at times of severe liquidity, when the position per day may be insufficient to liquidate or hedge all positions fully;

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

c. Risiko pasar (lanjutan)

iii. Value at Risk (lanjutan)

- Penggunaan tingkat keyakinan pada tingkat 99 persen, secara definisi, tidak memperhitungkan kerugian yang mungkin terjadi di luar tingkat keyakinan tersebut;
- VaR dihitung berdasarkan atas eksposur yang tercatat pada saat akhir hari dan dengan demikian tidak mencerminkan eksposur intra hari.

VaR dari total portofolio dan portofolio yang diperdagangkan adalah sebagai berikut:

	2018		
	Jumlah VaR/ Total VaR	VaR untuk portofolio yang diperdagangkan/ Trading VaR	
		Risiko Nilai Tukar/ Foreign Exchange Risk	Risiko Suku Bunga/ Interest Rate Risk
Pada 31 Desember	13.947	152	13.899

Bank melakukan validasi atas keakuratan model VaR dengan melakukan *back-testing* menggunakan hasil laba rugi aktual harian.

d. Risiko likuiditas

Risiko likuiditas adalah risiko bahwa Bank tidak memiliki kemampuan finansial yang memadai untuk memenuhi kewajibannya pada saat jatuh tempo, atau memenuhi kewajiban tersebut tetapi dengan biaya yang tinggi. Risiko timbul dari ketidakselarasan waktu dari arus kas. Bank mempertahankan basis pendanaan yang stabil dan terdiversifikasi dari simpanan nasabah ritel inti dan simpanan nasabah korporasi serta portofolio aset yang sangat likuid. Tujuan dari kerangka kerja likuiditas Bank adalah untuk memastikan bahwa Bank dapat bertahan pada saat krisis likuiditas yang ekstrem. Kerangka kerja likuiditas dibentuk sedemikian rupa agar dapat beradaptasi terhadap perubahan bisnis model, pasar dan regulasi.

Bank mengelola risiko likuiditas dan pendanaan masing-masing dengan menerapkan sebuah kerangka kerja dan struktur limit yang ditetapkan oleh ALCO. Bank diharuskan untuk mempertahankan posisi likuiditas yang kuat dan mengelola struktur likuiditas aset, liabilitas dan komitmen untuk memastikan bahwa sumber likuiditas yang memadai, baik untuk jumlah dan kualitas, untuk memastikan bahwa tidak ada risiko yang signifikan dimana kewajiban tidak dapat dipenuhi saat jatuh tempo, dan untuk memastikan bahwa profil pendanaan struktural yang bijaksana dapat dipertahankan.

Manajemen lokal bertanggung jawab untuk memastikan kepatuhan terhadap peraturan lokal yang berlaku dan limit yang ditetapkan oleh ALCO. Likuiditas dikelola setiap hari oleh fungsi treasury.

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk (continued)

iii. Value at Risk (continued)

- The use of a 99 percent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not reflect intra-day exposures.

VaR of the total and trading portfolios were as follows:

	2017		
	Jumlah VaR/ Total VaR	VaR untuk portofolio yang diperdagangkan/ Trading VaR	
		Risiko Nilai Tukar/ Foreign Exchange Risk	Risiko Tingkat Bunga/ Interest Rate Risk
At 31 December	17.682	1.691	12.438

The Bank validates the accuracy of VaR model by performing *back-testing* using actual daily profit or loss results.

d. Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. The risk arises from mismatches in the timing of cash flows. The Bank maintains a stable and diversified funding base of core retail and corporate customer deposits as well as portfolios of highly liquid assets. The objective of the Bank's liquidity framework is to allow the Bank to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations.

The Bank manages liquidity and funding risk on a stand alone basis, employing a centrally imposed framework and limit structure set by ALCO. The Bank is required to maintain strong liquidity positions and to manage the liquidity profiles of its assets, liabilities and commitments with the objective of ensuring that liquidity resources are adequate, both as to the amount and quality, to ensure that there is no significant risk that liabilities cannot be met as they fall due, and to ensure that a prudent structural funding profile is maintained.

It is the responsibility of local management to ensure compliance with local regulatory requirements and limits set by ALCO. Liquidity is managed on a daily basis by treasury functions.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

d. Risiko likuiditas (lanjutan)

Likuiditas dan toleransi risiko pendanaan diatur dalam *Risk Appetite Statement* (RAS) yang ditetapkan oleh ALCO dan dibahas dalam rapat bulanan *Risk Management Committee* (RMC).

Net Stable Funding Ratio (NSFR) digunakan untuk memantau risiko pendanaan dan *Liquidity Coverage Ratio* (LCR) digunakan untuk memantau risiko likuiditas secara harian untuk memastikan posisi NSFR dan LCR berada dalam limit internal.

Giro, tabungan dan deposito berjangka merupakan bagian signifikan dari keseluruhan pendanaan Bank. Bank menempatkan pentingnya stabilitas simpanan ini, yang dicapai melalui kegiatan perbankan ritel Bank dan dengan mempertahankan kepercayaan nasabah terhadap struktur modal Bank yang kuat. Pasar profesional diakses dengan tujuan untuk menyediakan pendanaan tambahan, mempertahankan keberadaan di pasar uang lokal dan mengoptimalkan jatuh tempo aset dan liabilitas.

Liquidity Coverage Ratio (LCR)

Untuk mengendalikan risiko likuiditas, Bank menggunakan skenario untuk memastikan bahwa kewajiban pembayaran yang jatuh tempo dapat dipenuhi. LCR menggunakan skenario bahwa pasar berada dalam keadaan *stress* selama 30 hari.

Posisi LCR berdasarkan kebijakan internal dan peraturan OJK berdasarkan data 31 Desember dapat dilihat pada tabel di bawah ini:

	<u>2018</u>	<u>2017</u>
<i>Liquidity Coverage Ratio</i> - Dihitung berdasarkan Kebijakan Internal ¹⁾	320%	370%
<i>Liquidity Coverage Ratio</i> - Dihitung berdasarkan peraturan OJK yang berlaku	379%	438%

¹⁾ Tidak diaudit

Berdasarkan kebijakan internal, ditetapkan limit sebesar 125% atas *Liquidity Coverage Ratio*, sedangkan limit sebesar 100% ditetapkan berdasarkan peraturan OJK yang berlaku.

Net Stable Funding Ratio (NSFR)

Bank menggunakan konsep NSFR dalam mendanai aset pada neraca, dimana Aset yang membutuhkan dana stabil (*required stable funding*) didukung oleh kewajiban dana stabil yang tersedia (*available stable funding*).

4. FINANCIAL RISK MANAGEMENT (continued)

d. Liquidity risk (continued)

Liquidity and funding risk tolerance is set out in the Risk Appetite Statement (RAS) established by ALCO and discussed in monthly Risk Management Committee (RMC) meeting.

Net Stable Funding Ratio (NSFR) use to monitor funding risk and Liquidity Coverage Ratio (LCR) use to monitor liquidity risk are assessed daily to ensure the positions of NSFR and LCR are within the internal limits.

Demand deposits, saving accounts and time deposits payable form a significant part of the Bank's overall funding. The Bank places considerable importance on the stability of these deposits, which is achieved through the Bank's retail banking activities and by maintaining depositor confidence in the Bank's capital strength. Professional markets are accessed for the purposes of providing additional funding, maintaining a presence in local money markets and optimising asset and liability maturities.

Liquidity Coverage Ratio (LCR)

To control liquidity risk, the Bank uses scenarios to ensure that the payment obligation could be met as they fall due. LCR uses scenario that represents a 30 day severe market stress.

LCR position based on internal policy and FSA regulations as of 31 December are provided in the following table:

<i>Liquidity Coverage Ratio</i> - Calculated based on internal policy ¹⁾	320%	370%
<i>Liquidity Coverage Ratio</i> - Calculated based on the prevailing FSA regulations	379%	438%

¹⁾ Unaudited

Based on internal policy, a limit of 125% is set for Liquidity Coverage Ratio, whilst a limit of 100% is set based on prevailing FSA regulation.

Net Stable Funding Ratio (NSFR)

The Bank uses NSFR concept in funding assets on balance sheet where assets assessed to require stable funding are supported by liabilities providing stable funding.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

d. Risiko likuiditas (lanjutan)

Net Stable Funding Ratio (NSFR) (lanjutan)

Posisi NSFR berdasarkan kebijakan internal dan peraturan OJK berdasarkan data 31 Desember dapat dilihat pada table di bawah ini:

	2018	2017
Net Stable Funding Ratio - Dihitung berdasarkan kebijakan internal ^{*)}	168%	160%
Net Stable Funding Ratio - Dihitung berdasarkan peraturan OJK yang berlaku	150%	129%

^{*)} Tidak diaudit

Rencana Pendanaan Kontinjensi

Rencana Pendanaan Kontinjensi (CFP) memiliki fokus pada skenario stres *idiosyncratic* dan *market wide*. Skenario stres harus memiliki tingkat kesulitan yang bervariasi untuk menangani isu-isu yang berkembang dalam rentang waktu tertentu dan dihubungkan dengan kerangka risiko likuiditas dan asumsi stres.

CFP harus membentuk *Early Warning Indicators* dengan *trigger* yang telah ditentukan diawal untuk menginformasikan seluruh penilaian status RAG (*Red/Amber/Green*). CFP harus menguraikan secara singkat tanggung jawab dan tindakan yang dapat diterapkan dalam skenario stres likuiditas dan menetapkan tahapan-tahapan spesifik selama skenario stres tersebut.

Eksposur risiko likuiditas

Sisa umur atas arus kas kontraktual yang tidak didiskontokan atas liabilitas keuangan sampai dengan jatuh tempo pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

	2018				
	Nilai tercatat/ Carrying amount	Nilai nominal bruto arus kas masuk (keluar)/ Gross nominal inflow/ (outflow)	Hingga 1 bulan/ Up to 1 month	>1 - 3 bulan/ months	>3 bulan/ months
<u>Liabilitas non-derivatif</u>					
Simpanan dari nasabah	(54.906.968)	(55.700.430)	(49.351.311)	(4.582.272)	(1.766.847)
Simpanan dari bank-bank lain	(8.776.773)	(8.779.554)	(8.779.554)	-	-
Utang akseptasi	(2.405.640)	(2.405.640)	(1.175.951)	(890.558)	(339.131)
Pinjaman yang diterima	(19.973.820)	(19.973.820)	-	-	(19.973.820)
Pinjaman subordinasi	(1.078.500)	(1.096.466)	-	-	(1.096.466)
Liabilitas lainnya	(740.475)	(740.475)	(740.475)	-	-
Efek-efek yang dijual dengan janji dijual kembali	(1.454.081)	(1.454.081)	(1.454.081)	-	-
L/C yang tidak dapat dibatalkan	-	(3.035.786)	(577.844)	(2.047.596)	(410.346)
Fasilitas kredit yang belum digunakan - <i>committed</i>	-	(1.061.317)	-	-	(1.061.317)
	<u>(89.336.257)</u>	<u>(94.247.569)</u>	<u>(62.079.216)</u>	<u>(7.520.426)</u>	<u>(24.647.927)</u>

4. FINANCIAL RISK MANAGEMENT (continued)

d. Liquidity risk (continued)

Net Stable Funding Ratio (NSFR) (continued)

NSFR position based on internal policy and FSA regulation as of 31 December are provided in the following table:

	2018	2017
Net Stable Funding Ratio - Calculated based on internal policy ^{*)}	168%	160%
Net Stable Funding Ratio - Calculated based on the prevailing FSA regulations	150%	129%

^{*)} Unaudited

Contingent Funding Plan

Contingency Funding Plan (CFP) focus on *idiosyncratic* and *market wide* stress scenarios. Stress scenarios should vary in severity, address issues developing over a range of time horizons and be linked to liquidity risk framework and stress testing assumptions.

CFPs should establish a collection of *Early Warning Indicators* with predetermined warning triggers to inform an overall RAG (*Red/Amber/Green*) status assessment. CFP should seek to outline at a high level responsibilities and actions that could be applied during liquidity stress scenarios and set out specific stages during a liquidity stress scenario.

Exposure to liquidity risk

Maturity on contractual undiscounted cash flows of financial liabilities as of 31 December 2018 and 2017 were as follows:

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

d. Risiko likuiditas (lanjutan)

d. Liquidity risk (continued)

Eksposur risiko likuiditas (lanjutan)

Exposure to liquidity risk (continued)

2018 (lanjutan/continued)					
	Nilai tercatat/ Carrying amount	Nilai nominal bruto arus kas masuk (keluar)/ Gross nominal inflow/ (outflow)	Hingga 1 bulan/ Up to 1 month	>1 - 3 bulan/ months	>3 bulan/ months
<u>Liabilitas derivatif</u>					<u>Derivative payables</u>
Diperdagangkan:					Trading:
Arus kas keluar	(824.198)	(74.246.539)	(40.054.157)	(14.002.715)	(20.189.667)
Arus kas masuk	-	74.403.153	38.874.015	13.855.598	21.673.540
	(824.198)	156.614	(1.180.142)	(147.117)	1.483.873
	90.160.455	(94.090.955)	(63.259.358)	(7.667.543)	(23.164.054)
2017					
	Nilai tercatat/ Carrying amount	Nilai nominal bruto arus kas masuk (keluar)/ Gross nominal inflow/ (outflow)	Hingga 1 bulan/ Up to 1 month	>1 - 3 bulan/ months	>3 bulan/ months
<u>Liabilitas non-derivatif</u>					<u>Non-derivative payables</u>
Simpanan dari nasabah	(56.932.673)	(57.007.845)	(52.340.798)	(3.077.094)	(1.589.953)
Simpanan dari bank-bank lain	(8.577.319)	(8.578.401)	(8.578.401)	-	-
Utang akseptasi	(1.827.734)	(1.827.734)	(841.220)	(694.513)	(292.001)
Pinjaman yang diterima	(13.363.988)	(13.605.984)	-	(241.997)	(13.363.987)
Pinjaman subordinasi	(1.017.563)	(1.030.276)	-	-	(1.030.276)
Liabilitas lainnya	(713.465)	(713.465)	(713.465)	-	-
L/C yang tidak dapat dibatalkan	-	(2.307.855)	(543.338)	(1.384.651)	(379.866)
Fasilitas kredit yang belum digunakan - committed	-	(2.202.919)	-	-	(2.202.919)
	(82.432.742)	(87.274.479)	(63.017.222)	(5.398.255)	(18.859.002)
<u>Liabilitas derivatif</u>					<u>Derivative payables</u>
Diperdagangkan:					Trading:
Arus kas keluar	(527.035)	(48.638.120)	(20.179.549)	(14.416.786)	(14.041.785)
Arus kas masuk	-	48.414.669	20.265.991	13.756.801	14.391.877
	(527.035)	(223.451)	86.442	(659.985)	350.092
	(82.959.777)	(87.497.930)	(62.930.780)	(6.058.240)	(18.508.910)

Tabel di atas menyajikan arus kas yang tidak didiskontokan dari liabilitas keuangan Bank berdasarkan periode jatuh tempo kontraktual yang paling dekat. Arus kas atas instrumen keuangan yang diharapkan Bank bervariasi secara signifikan dari analisa ini. Sebagai contoh, giro dari nasabah diharapkan memiliki saldo yang stabil atau meningkat.

Nilai nominal bruto arus kas masuk/(keluar) yang diungkapkan pada tabel di atas menyajikan arus kas kontraktual yang tidak didiskontokan terkait dengan nilai pokok dan bunga dari liabilitas keuangan. Pengungkapan instrumen derivatif menunjukkan nilai bersih derivatif yang dapat diselesaikan secara neto, juga nilai bruto arus kas masuk dan keluar untuk derivatif yang diselesaikan bruto secara bersamaan (sebagai contoh kontrak berjangka valuta asing). Arus kas liabilitas derivatif seperti yang ditunjukkan di tabel di atas merupakan arus kas berdasarkan jatuh tempo kontraktual yang menurut Bank adalah penting untuk memahami waktu dari arus kas.

The above table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

The gross nominal inflow/(outflow) disclosed in the above table represents the contractual undiscounted cash flows relating to the principal and interest on the financial liability. The disclosure for derivatives shows a net amount for derivatives that are net settled, and a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (e.g. currency forward). The cash flows of derivative payables as in the above table represent the cash flows based on contractual maturities which the Bank believes is essential for understanding of the timing of the cash flows.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

d. Risiko likuiditas (lanjutan)

Eksposur risiko likuiditas (lanjutan)

Analisa jatuh tempo aset dan liabilitas keuangan bruto Bank (bukan untuk tujuan diperdagangkan) berdasarkan periode tersisa sampai dengan tanggal jatuh tempo kontraktual pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

4. FINANCIAL RISK MANAGEMENT (continued)

d. Liquidity risk (continued)

Exposure to liquidity risk (continued)

The analysis of maturities of the Bank's gross financial assets and liabilities (not for trading purpose) based on remaining period to contractual maturity as of 31 December 2018 and 2017 were as follows:

2018							
	Tanpa tanggal jatuh tempo kontraktual/No contractual maturity	Hingga 1 bulan/Up to 1 month	>1 - 3 bulan/ months	>3 - 12 bulan/ months	1 - 5 tahun/ years	>5 tahun/ years	Nilai tercatat sebelum dikurangi penyisihan kerugian penurunan nilai/ Carrying amount before allowance for impairment losses
Aset							Assets
Kas	654.061	-	-	-	-	-	Cash
Giro pada Bank Indonesia	7.777.923	-	-	-	-	-	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	1.996.602	-	-	-	-	-	Demand deposits with other banks
Penempatan pada Bank Indonesia	-	349.898	-	-	-	-	Placements with Bank Indonesia
Penempatan pada bank-bank lain	-	7.456.720	50.812	-	-	-	Placements with other banks
Efek-efek untuk tujuan investasi	-	1.496.278	1.869.217	5.714.022	3.520.300	-	Investment securities
Wesel Ekspor	-	620.815	380.288	80.856	-	-	Export Bills
Tagihan Akseptasi	-	1.175.951	890.558	339.131	-	-	Acceptance receivables
Kredit yang diberikan kepada nasabah	-	11.054.501	16.705.706	35.600.830	4.230.752	883.511	Loans to customers
Efek-efek yang dibeli dengan janji dijual kembali	-	426.130	256.626	411.171	-	-	Securities purchased with agreement to resell
Aset lain-lain – pendapatan yang masih akan diterima	-	550.708	-	-	-	-	Other assets - accrued income
Jumlah aset	10.428.586	23.131.001	20.153.207	42.146.010	7.751.052	883.511	Total assets
Liabilitas							Liabilities
Simpanan dari nasabah	(37.188.613)	(12.111.816)	(3.864.769)	(1.741.770)	-	-	Deposits from customers
Simpanan dari bank-bank lain	(8.776.773)	-	-	-	-	-	Deposits from other banks
Utang akseptasi	-	(1.175.951)	(890.558)	(339.131)	-	-	Acceptance payables
Efek-efek yang dibeli dengan janji dijual kembali	-	(1.454.081)	-	-	-	-	Securities purchased with agreement to repurchase
Beban akrual dan provisi	-	(98.493)	-	-	-	-	Accruals and provisions
Liabilitas lain-lain	(740.475)	-	-	-	-	-	Other liabilities
Pinjaman yang diterima subordinasi	-	-	-	(2.876.000)	(17.097.820)	-	Borrowings
	-	-	-	-	(1.078.500)	(1.078.500)	Subordinated debts
Jumlah liabilitas	(46.705.861)	(14.840.341)	(4.755.327)	(4.956.901)	(17.097.820)	(1.078.500)	Total liabilities
Selisih	(36.277.275)	8.290.660	15.397.880	37.189.109	(9.346.768)	(194.989)	Difference
2017							
	Tanpa tanggal jatuh tempo kontraktual/No contractual maturity	Hingga 1 bulan/Up to 1 month	>1 - 3 bulan/ months	>3 - 12 bulan/ months	1 - 5 tahun/ years	>5 tahun/ years	Nilai tercatat sebelum dikurangi penyisihan kerugian penurunan nilai/ Carrying amount before allowance for impairment losses
Aset							Assets
Kas	581.541	-	-	-	-	-	Cash
Giro pada Bank Indonesia	6.755.215	-	-	-	-	-	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	1.866.023	-	-	-	-	-	Demand deposits with other banks
Penempatan pada Bank Indonesia	-	-	1.249.637	-	-	-	Placements with Bank Indonesia
Penempatan pada bank-bank lain	-	6.353.055	-	-	-	-	Placements with other banks
Efek-efek untuk tujuan investasi	-	199.664	2.522.421	8.162.722	2.819.054	-	Investment securities
Wesel Ekspor	-	575.247	514.129	129.402	-	-	Export Bills
Tagihan Akseptasi	-	841.220	694.513	292.001	-	-	Acceptance receivables
Kredit yang diberikan kepada nasabah	-	25.491.845	6.851.492	21.434.337	5.464.995	1.292.097	Loans to customers
Efek-efek yang dibeli dengan janji dijual kembali	-	-	-	500.000	-	-	Securities purchased with agreement to resell
Aset lain-lain – pendapatan yang masih akan diterima	-	531.630	-	-	-	-	Other assets - accrued income
Jumlah aset	9.202.779	33.992.661	11.832.192	30.518.462	8.284.049	1.292.097	Total assets

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d. Risiko likuiditas (lanjutan)

Eksposur risiko likuiditas (lanjutan)

2017							
	Tanpa tanggal jatuh tempo kontraktual/ No contractual maturity	Hingga 1 bulan/Up to 1 month	>1 - 3 bulan/months	>3 - 12 bulan/months	>1 - 5 tahun/years	>5 tahun/years	Nilai tercatat sebelum dikurangi penyisihan kerugian penurunan nilai/ Carrying amount before allowance for impairment losses
Liabilitas							Liabilities
Simpanan dari nasabah	(38.705.199)	(13.583.495)	(3.061.352)	(1.582.627)	-	-	Deposits from customers
Simpanan dari bank-bank lain	(6.577.319)	(2.000.000)	-	-	-	-	Deposits from other banks
Utang akseptasi	-	(841.220)	(694.513)	(292.001)	-	-	Acceptance payables
Beban akrual dan provisi	-	(88.974)	-	-	-	-	Accruals and provisions
Liabilitas lain-lain	(713.465)	-	-	-	-	-	Other liabilities
Pinjaman yang diterima	-	-	-	(1.356.750)	(12.007.238)	-	Borrowings
Pinjaman subordinasi	-	-	-	-	-	(1.017.563)	Subordinated debts
Jumlah liabilitas	(45.995.983)	(16.513.689)	(3.755.865)	(3.231.378)	(12.007.238)	(1.017.563)	Total liabilities
Selisih	(36.793.204)	17.478.972	8.076.327	27.287.084	(3.723.189)	274.534	Difference

e. Risiko operasional

Risiko operasional adalah risiko kerugian yang disebabkan oleh kegagalan sistem teknologi informasi, kesalahan karena faktor manusia, kelemahan proses internal dan kejadian eksternal termasuk *fraud*. Risiko ini dapat menyebabkan terjadinya kerugian pada Bank sehingga akan mempengaruhi kinerja dan tingkat kesehatan Bank.

Manajemen risiko operasional dan internal kontrol yang kuat adalah elemen inti dari strategi risiko operasional Bank dan semua karyawan bertanggung jawab untuk mengelola dan memitigasi risiko operasional dalam kegiatan sehari-hari. Kerangka Manajemen Risiko Operasional (KMRO) Bank adalah pendekatan menyeluruh yang diterapkan oleh bank untuk mengelola risiko operasionalnya sesuai dengan bisnis dan strategi risiko operasional dan objektif dan juga *appetite* risiko operasional.

Three Lines of Defence berhubungan dengan peran, tanggung jawab dan akuntabilitas yang dimiliki karyawan untuk mendukung efisiensi dan efektifitas pengelolaan risiko operasional untuk mencapai objektif bisnis bank.

<i>First line of defence</i>	Yang memiliki risiko-risiko operasional bank dan menerapkan kontrol-kontrol untuk memitigasi risiko-risiko tersebut. Yang termasuk <i>First Line of Defence</i> adalah Pemilik Risiko, Pemilik Kontrol dan <i>Business Risk & Control Managers (BRCM)</i> .
<i>Second line of defence</i>	Pembuat Kebijakan dan Pedoman untuk mengelola risiko operasional, dan memberikan saran dan pedoman tentang manajemen risiko yang efektif. Yang termasuk <i>Second Line of Defence</i> adalah <i>Risk Stewards</i> dan Fungsi Risiko Operasional.
<i>Third line of defence</i>	Audit Internal memberikan kepastian yang independen bahwa Bank mengelola risiko operasional secara efektif.

4. FINANCIAL RISK MANAGEMENT (continued)

d. Liquidity risk (continued)

Exposure to liquidity risk (continued)

e. Operational risk

Operational risk is the potential losses arising from IT system failure, human error, deficiencies in internal process and external event including fraud. These risks may trigger losses for the Bank and consequently affect the Bank's performance and soundness.

Strong operational risk management and internal control are core elements of the Bank's operational risk strategy and all staff are responsible for managing and mitigating operational risks in their day-to-day operations. The Bank's Operational Risk Management Framework (ORMF) is the overarching approach adopted by the Bank to manage its operational risk in accordance with its business and operational risk strategies and objectives and accordingly its operational risk appetite.

Three Lines of Defence relate to the roles, responsibilities and accountabilities assigned to individuals in order to support the efficient and effective management of operational risks to the achievement of the Bank's business objectives.

<i>First line of defence</i>	Own Bank's operational risks and puts in place controls that mitigate these risks. The First Line of Defence includes Risk Owners, Control Owners and Business Risk & Control Managers (BRCM).
<i>Second line of defence</i>	Set Policy and Guidelines for managing operational risk, and provide advice and guidance on effective risk management. The Second Line of Defence are the Risk Stewards and Operational Risk Function.
<i>Third line of defence</i>	Internal Audit which independently ensures the Bank is managing operational risk effectively.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

e. Risiko operasional (lanjutan)

Bank mengelola risiko ini melalui lingkungan berbasis-pengendalian dimana proses didokumentasi, wewenang bersifat independen dan transaksi-transaksi dicocokkan dan dipantau. Hal ini didukung oleh program kajian berkala yang dilaksanakan secara independen oleh audit internal, dan dengan memantau peristiwa eksternal yang terkait dengan risiko operasional, yang memastikan bahwa Bank tetap sejalan dengan *best practice* di industri dan belajar dari kegagalan operasional dalam industri jasa keuangan yang telah dipublikasi.

Bank telah mengkodifikasi proses manajemen risiko operasionalnya dengan mengeluarkan standar tingkat tinggi yang dilengkapi dengan panduan resmi yang lebih rinci. Hal ini menjelaskan bagaimana Bank mengelola risiko operasional dengan mengidentifikasi, menilai, memantau, mengontrol dan memitigasi risiko, memperbaiki kejadian yang terkait dengan risiko operasional, dan melaksanakan prosedur tambahan yang diperlukan untuk memenuhi persyaratan berdasarkan peraturan lokal. Standar tersebut mencakup hal-hal sebagai berikut:

- Risiko operasional merupakan tanggung jawab seluruh karyawan dan lini manajemen yang didukung oleh Kerangka Manajemen Risiko Operasional (KMRO);
- Sistem informasi digunakan untuk mencatat pengidentifikasian dan penilaian risiko operasional dan untuk menghasilkan pelaporan manajemen yang tepat secara berkala;
- Penilaian dilaksanakan terhadap risiko operasional yang dihadapi oleh setiap unit bisnis, baik risiko yang melekat dan risiko residual dalam proses, kegiatan dan produk terkait. Penilaian risiko menyertakan kajian berkala atas risiko yang teridentifikasi untuk memantau perubahan signifikan;
- Data kerugian risiko operasional dikumpulkan dan dilaporkan kepada manajemen senior. Kerugian risiko operasional secara keseluruhan dicatat dan keterangan lengkap mengenai insiden di atas ambang material dilaporkan ke *Head of Region/Global Business* dan *Region/Global Business Chief Risk Officers*, Audit Internal dan juga *Global Head of Operational Risk*; dan
- Mitigasi risiko, termasuk asuransi, dipertimbangkan bilamana hal ini dipandang efektif dari segi biaya.

Bank menjaga dan menguji fasilitas kontinjensi untuk mendukung operasionalnya apabila terjadi bencana. Kajian dan uji tambahan dilaksanakan apabila terdapat kantor Bank yang terkena suatu kejadian merugikan, untuk menyertakan pelajaran yang didapat dalam pemulihan operasi dari situasi tersebut.

4. FINANCIAL RISK MANAGEMENT (continued)

e. Operational risk (continued)

The Bank manages this risk through a control-based environment in which processes are documented, authorisation is independent and transactions are reconciled and monitored. This is supported by an independent programme of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the Bank stays in line with industry best practice and takes account of lessons learnt from publicised operational failures within the financial services industry.

The Bank has codified its operational risk management process by issuing a high level standard, supplemented by more detailed formal guidance. This explains how the Bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements. The standard covers the following:

- *Operational risk is primarily the responsibility of all employees and line management, supported by the Operational Risk Management Framework (ORMF);*
- *Information systems are used to record the identification and assessment of operational risks and to generate appropriate, regular management reporting;*
- *Assessments are undertaken of the operational risks facing each business, both inherent and residual risks in its processes, activities and products. Risk assessment incorporates a regular review of identified risks to monitor significant changes;*
- *Operational risk loss data is collected and reported to senior management. Aggregate operational risk losses are recorded and details of incidents above a materiality threshold are reported to the Head of Region/Global Business and Region/Global Business Chief Risk Officers, Internal Audit as well as the Global Head of Operational Risk; and*
- *Risk mitigation, including insurance, is considered where this is cost-effective.*

The Bank maintains and tests contingency facilities to support operations in the event of disasters. Additional reviews and tests are conducted in the event that any Bank office is affected by a business disruption event, to incorporate lessons learnt in the operational recovery from those circumstances.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

f. Manajemen modal

f. Capital management

Modal yang diwajibkan regulator

Regulatory capital

Bank telah mematuhi semua persyaratan modal yang ditetapkan oleh pihak eksternal sepanjang periode pelaporan.

The Bank has complied with all externally imposed capital requirements throughout the reporting period.

Rasio Kewajiban Penyediaan Modal Minimum (KPMM) pada tanggal 31 Desember 2018 dan 2017 adalah:

The Capital Adequacy Ratio (CAR) as at 31 December 2018 and 2017 are as follows:

	Catatan/ Notes	2018	2017	
Modal tier 1				Tier 1 capital
Modal saham	22	10.586.395	10.586.395	Share capital
Tambahan modal disetor	23	257.610	257.610	Additional paid-in-capital
Cadangan umum	24	17.361	3.648	General reserve
Saldo laba		3.988.231	2.630.644	Retained earnings
Laba periode berjalan		894.540	1.371.300	Profit for the period
Penghasilan komprehensif lain		(62.943)	44.763	Other comprehensive income
Selisih kurang antara penyesihan wajib dan cadangan kerugian penurunan nilai atas aset produktif		(122.214)	(174.425)	Negative differences between regulatory provision and allowance for impairment losses on productive assets
Penyesihan Penghapusan Aset (PPA) atas aset non-produktif yang wajib dihitung		(22.455)	(12.635)	Non-earning asset provision that should be calculated
Perhitungan pajak tangguhan		(279.305)	(162.125)	Deferred tax calculation
Aset tidak berwujud lainnya		(178.041)	(231.315)	Other intangible assets
		<u>15.079.179</u>	<u>14.313.860</u>	
Modal tier 2				Tier 2 capital
Pinjaman subordinasi		1.078.500	1.017.563	Subordinated debt
Cadangan umum aset produktif		<u>900.680</u>	<u>799.058</u>	General allowance for earning assets
Jumlah modal		<u>17.058.359</u>	<u>16.130.481</u>	Total capital
Aset Tertimbang Menurut Risiko				Risk Weighted Asset
Risiko kredit		74.202.425	66.484.292	Credit risk
Risiko pasar		2.608.813	2.660.750	Market risk
Risiko operasional		<u>5.229.786</u>	<u>2.584.902</u>	Operational risk
Jumlah Aset Tertimbang Menurut Risiko		<u>82.041.024</u>	<u>71.729.944</u>	Total Risk Weighted Assets
Rasio Kewajiban Penyediaan Modal Minimum		20,79%	22,49%	Capital Adequacy Ratio
Rasio CET 1		18,38%	19,96%	CET 1 Ratio
Rasio tier 1		18,38%	19,96%	Tier 1 Ratio
Rasio tier 2		2,41%	2,53%	Tier 2 Ratio
Capital Conservation Buffer		1,88%	1,25%	Capital Conservation Buffer
Countercyclical Buffer		0,00%	0,00%	Countercyclical Buffer
Domestically Systemically Important Bank		0,75%	0,50%	Domestically Systemically Important Bank
Rasio Kewajiban Penyediaan Modal Minimum yang diwajibkan		9% sampai dengan kurang dari 10%/9% to less than 10%	9% sampai dengan kurang dari 10%/9% to less than 10%	Required Capital Adequacy Ratio
Rasio CET 1 minimum yang diwajibkan		4,50%	4,50%	Required minimum CET 1 Ratio
Rasio Tier 1 minimum yang diwajibkan		6,00%	6,00%	Required minimum Tier 1 Ratio

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

f. Manajemen modal (lanjutan)

Modal yang diwajibkan regulator (lanjutan)

Melalui Surat OJK No. S-141/PB.33/2017 tanggal 23 November 2017, OJK telah memberikan persetujuan bagi Bank untuk memperhitungkan pinjaman subordinasi sebesar USD 75 juta dari HSBC Asia Pacific Holdings (UK) Limited (lihat Catatan 34) sebagai bagian dari komponen modal pelengkap (modal Tier 2) efektif mulai November 2017.

Berdasarkan Surat OJK No. SR-91/PB.33/2017 tanggal 23 November 2017, OJK menetapkan Bank sebagai salah satu *Domestically Systematically Important Bank (bucket 1)*. *Capital surcharge* yang dikenakan kepada Bank adalah sebesar 0,50% sejak 1 Januari 2017 hingga 31 Desember 2017, 0,75% sejak 1 Januari 2018 dan 1,00% sejak 1 Januari 2019.

Perhitungan Rasio Kewajiban Penyediaan Modal Minimum telah sesuai dengan Peraturan Otoritas Jasa Keuangan Nomor 11/POJK.03/2016 tentang "Kewajiban Penyediaan Modal Minimum Bank Umum" yang berlaku sejak 2 Februari 2016 dan sebagaimana telah diubah dengan POJK Nomor 34/POJK.03/2016.

OJK berwenang menetapkan modal minimum lebih besar dari modal minimum dalam hal OJK menilai suatu bank menghadapi potensi kerugian yang membutuhkan modal lebih besar.

Bank menghitung modal minimum sesuai profil risiko untuk posisi 31 Desember 2018 dengan menggunakan peringkat profil risiko posisi Juni 2018.

Berdasarkan *self-assessment* Bank, profil risiko Bank dinilai berada pada peringkat 2. Oleh karena itu, Bank berkewajiban untuk memenuhi modal minimum sebesar 9% sampai dengan kurang dari 10%. Pada tanggal 31 Desember 2017, KPMM Bank berada pada level di atas modal minimum yang diwajibkan tersebut, yaitu sebesar 20,78%.

4. FINANCIAL RISK MANAGEMENT (continued)

f. Capital management (continued)

Regulatory capital (continued)

Through its letter No. S-141/PB.33/2017 dated 23 November 2017, the FSA has given their approval for the Bank to include the subordinated loan amounting to USD 75 million from HSBC Asia Pacific Holdings (UK) Limited (see Note 34) as supplementary capital (Tier 2 capital) component effectively since November 2017.

Based on OJK letter No. SR-91/PB.33/2017 dated 23 November 2017, the FSA has determined the Bank as one of the *Domestically Systematically Important Bank (bucket 1)*. The Bank is imposed with 0.50% capital surcharge from 1 January 2017 until 31 December 2017, 0.75% from 1 January 2018 and 1.00% from 1 January 2019.

Calculation of Capital Adequacy Ratio in compliance with Financial Service Authority Regulation No 11/POJK.03/2016 concerning "Minimum Capital Adequacy of Commercial Banks" which effective since 2 February 2016 as amended by POJK No. 34/POJK.03/2016.

FSA is authorised to stipulate minimum capital greater than minimum capital in terms of FSA assesses a bank as facing potential losses which requires a larger capital.

The Bank calculated the minimum capital requirement based on risk profile on 31 December 2018 by using June 2018 risk profile rating.

Based on its self-assessment, the Bank's risk profile is assessed to be in rating 2. Therefore, the Bank is required to provide a minimum capital of 9% to less than 10%. As of 31 December 2017, the Bank's CAR was 20.78%, which was higher than the required minimum provision of capital.

5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN

Pengungkapan ini merupakan tambahan atas pembahasan tentang manajemen risiko keuangan (lihat Catatan 4).

a. Sumber utama atas ketidakpastian taksiran

a.1. Penyisihan kerugian penurunan nilai aset keuangan

Evaluasi atas kerugian penurunan nilai aset keuangan yang dicatat pada biaya perolehan diamortisasi dijelaskan di Catatan 30.

5. USE OF ESTIMATES AND JUDGMENTS

These disclosures supplement the commentary on financial risk management (see Note 4).

a. Key sources of estimation uncertainty

a.1. Allowances for impairment losses of financial assets

Financial assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 30.

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5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)

a. Sumber utama atas ketidakpastian taksiran
(lanjutan)

a.1. Penyisihan kerugian penurunan nilai aset keuangan (lanjutan)

Cadangan kerugian penurunan nilai terkait dengan pihak lawan spesifik dalam seluruh cadangan kerugian penurunan nilai dibentuk atas tagihan yang penurunan nilainya dievaluasi secara individual berdasarkan taksiran terbaik manajemen atas nilai tunai arus kas yang diharapkan akan diterima. Dalam mengestimasi arus kas ini, manajemen membuat pertimbangan mengenai kondisi keuangan dari pihak lawan dan nilai bersih yang dapat direalisasi dari agunan yang diterima. Setiap aset yang mengalami penurunan nilai dievaluasi, dan strategi penyelesaiannya serta estimasi arus kas yang dinilai dapat diperoleh kembali secara independen disetujui oleh Departemen Kredit.

Evaluasi penyisihan kerugian penurunan nilai secara kolektif meliputi kerugian kredit yang melekat pada portofolio tagihan dengan karakteristik ekonomi yang serupa ketika terdapat bukti obyektif bahwa telah terjadi penurunan nilai tagihan dalam portofolio tersebut namun penurunan nilai secara individu belum dapat diidentifikasi. Dalam menentukan perlunya membentuk penyisihan kerugian penurunan nilai kredit secara kolektif, manajemen mempertimbangkan faktor-faktor seperti kualitas kredit, besarnya portofolio, konsentrasi kredit dan faktor-faktor ekonomi.

Evaluasi cadangan kerugian penurunan nilai secara kolektif meliputi kerugian kredit yang melekat pada portofolio tagihan dengan karakteristik ekonomi yang serupa ketika terdapat bukti obyektif bahwa telah terjadi penurunan nilai tagihan dalam portofolio tersebut, namun penurunan nilai secara individu belum dapat diidentifikasi atau untuk kredit homogen yang tidak signifikan secara individu. Dalam menentukan perlunya membentuk cadangan kerugian penurunan nilai secara kolektif, manajemen mempertimbangkan faktor-faktor seperti kualitas kredit, besarnya portofolio, konsentrasi kredit dan faktor-faktor ekonomi. Dalam mengestimasi cadangan yang dibutuhkan, asumsi-asumsi dibuat untuk menentukan model kerugian bawaan dan untuk menentukan parameter input yang dibutuhkan, berdasarkan pengalaman historis dan kondisi ekonomi saat ini. Ketepatan dari cadangan ini bergantung pada seberapa tepat estimasi arus kas masa depan untuk menentukan cadangan individual serta asumsi model dan parameter yang digunakan dalam menentukan cadangan kolektif.

5. USE OF ESTIMATES AND JUDGMENTS
(continued)

a. Key sources of estimation uncertainty
(continued)

a.1. Allowances for impairment losses of financial assets (continued)

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Department.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of receivables with similar economic characteristics when there is objective evidence to suggest that they contain impaired receivables, but the individual impaired items cannot yet be identified or for homogenous groups of loans that are not considered individually significant. In assessing the need for collective allowances, management considers factors such as credit quality, portfolio size, credit concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

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**5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)**

**a. Sumber utama atas ketidakpastian taksiran
(lanjutan)**

**a.1. Penyisihan kerugian penurunan nilai
aset keuangan (lanjutan)**

Untuk kredit homogen yang tidak signifikan secara individu, Bank menggunakan model statistik dari tren kemungkinan gagal bayar, yang ditelaah pada setiap saat dimana pembayaran kontraktual dari nasabah telah lewat waktu. Penentuan kerugian penurunan nilai kolektif tersebut juga mempertimbangkan data historis lain serta evaluasi atas kondisi ekonomi saat ini.

a.2. Penentuan nilai wajar

Dalam menentukan nilai wajar atas aset keuangan dan liabilitas keuangan dimana tidak terdapat harga pasar yang dapat diobservasi, Bank harus menggunakan teknik penilaian seperti dijelaskan pada Catatan 3a.6. Untuk instrumen keuangan yang jarang diperdagangkan dan tidak memiliki harga yang transparan, nilai wajarnya menjadi kurang obyektif dan karenanya, membutuhkan tingkat pertimbangan yang beragam, tergantung pada likuiditas, konsentrasi, ketidakpastian faktor pasar, asumsi penentuan harga, dan risiko lainnya yang mempengaruhi instrumen tertentu.

b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank

Pertimbangan akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank meliputi:

b.1. Penilaian instrumen keuangan

Kebijakan akuntansi Bank untuk pengukuran nilai wajar dibahas di Catatan 3a.6.

Kerangka penilaian

Nilai wajar termasuk dalam kerangka penilaian yang dirancang untuk memastikan bahwa nilai wajar ditentukan dan divalidasi oleh bagian yang independen dari pengambil risiko.

Untuk semua instrumen keuangan dimana nilai wajar ditentukan oleh referensi harga kuotasi secara eksternal atau *input* yang dapat diobservasi yang digunakan di dalam model, penentuan dan validasi harga independen digunakan. Pada pasar yang tidak aktif, Bank akan mencari informasi pasar alternatif untuk melakukan validasi terhadap nilai wajar dari instrumen keuangan, dengan menekankan pada informasi yang dianggap lebih relevan dan andal.

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**5. USE OF ESTIMATES AND JUDGMENTS
(continued)**

**a. Key sources of estimation uncertainty
(continued)**

**a.1. Allowances for impairment losses of
financial assets (continued)**

For homogenous groups of loans that are not considered individually significant, the Bank utilises statistical modeling of historical trends of the probability of default, assessed at each time period for which the customer's contractual payments are overdue. The determination of collective impairment losses also takes into consideration other historical data and evaluation of current economic conditions.

a.2. Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3a.6. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**b. Critical accounting judgments in applying
the Bank's accounting policies**

Critical accounting judgments made in applying the Bank's accounting policies include:

b.1. Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed in Note 3a.6.

Valuation framework

Fair values are subject to a valuation framework designed to ensure that they are either determined or validated by a function independent of the risk-taker.

For all financial instruments where fair values are determined by reference to externally quoted price or observable pricing inputs to model, independent price determination or validation is utilized. In inactive market, the Bank will search alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

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**5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)**

**b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank
(lanjutan)**

b.1. Penilaian instrumen keuangan (lanjutan)

Kerangka penilaian (lanjutan)

Untuk menentukan kualitas dari *input* data pasar, faktor-faktor seperti sejauh mana harga bisa diharapkan untuk mewakili harga jual-beli sesungguhnya atau harga dimana instrumen dapat diperjualbelikan, tingkat keserupaan antar instrumen keuangan, tingkat konsistensi antar sumber yang berbeda, proses yang digunakan oleh *pricing provider* untuk memperoleh data, jarak antara tanggal data pasar terkait dan tanggal neraca serta bagaimana data tersebut diperoleh harus dipertimbangkan.

Untuk nilai wajar yang ditentukan melalui model penilaian, kerangka penilaian dapat berupa pengembangan atau validasi terhadap logis di dalam model penilaian oleh bagian pendukung yang independen, input untuk model dan beberapa penyesuaian yang dibutuhkan di luar model penilaian. Model penilaian dikaji secara berkala untuk memastikan bahwa hasil penilaian mencerminkan harga pasar.

Perubahan nilai wajar secara umum dimasukkan ke dalam proses analisa laba dan rugi. Proses ini memisahkan perubahan dalam nilai wajar ke dalam tiga kategori;

(i) perubahan portofolio, seperti transaksi baru atau transaksi yang jatuh tempo, (ii) perubahan pasar, seperti perubahan kurs mata uang asing, dan (iii) lainnya, seperti perubahan penyesuaian nilai wajar.

Bank mengukur nilai wajar menggunakan hierarki di bawah ini:

- Level 1: Kuotasi harga pasar: instrumen keuangan yang diukur dengan menggunakan harga kuotasian (tanpa disesuaikan) dalam pasar aktif untuk instrumen yang identik.
- Level 2: Teknik penilaian menggunakan input yang dapat diobservasi: instrumen keuangan yang diukur dengan menggunakan harga kuotasian untuk instrumen serupa dalam pasar aktif atau harga kuotasian untuk instrumen serupa atau identik dari pasar yang dipertimbangkan sebagai kurang aktif dan instrumen keuangan yang diukur menggunakan model dimana seluruh *input* signifikan dapat diobservasi secara langsung maupun tidak langsung dari data pasar.

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**5. USE OF ESTIMATES AND JUDGMENTS
(continued)**

b. Critical accounting judgments in applying the Bank's accounting policies (continued)

**b.1. Valuation of financial instruments
(continued)**

Valuation framework (continued)

To determine the quality of the market data inputs, factors such as the extent to which prices may be expected to represent genuine traded or tradeable prices, the degree of similarity between financial instruments, the degree of consistency between different sources, the process followed by the pricing provider to derive the data, the elapsed between the date to which the market data relates and the balance sheet date and the manner in which the data was sourced are taken into consideration.

For fair values determined using valuation models, the valuation framework may include development or validation by independent support functions of the logic within valuation models, the inputs to those models and any adjustments required outside the valuation models. Valuation model is regularly reviewed to ensure that the result of the valuation reflects the market prices.

Changes in fair value are generally subject to a profit and loss analysis process. This process disaggregates changes in fair value into three high level categories; (i) portfolio changes, such as new transactions or maturing transactions, (ii) market movements, such as changes in foreign exchange rates, and (iii) other, such as changes in fair value adjustments.

The Bank measures fair values using the following hierarchy:

- Level 1: Quoted market price: financial instruments with quoted prices (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation technique using observable inputs: financial instruments valued using quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in the markets that are considered less than active and financial instruments valued using models where all significant inputs are directly or indirectly observable from market data.

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**5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)**

**b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank
(lanjutan)**

b.1. Penilaian instrumen keuangan (lanjutan)

Kerangka penilaian (lanjutan)

Bank mengukur nilai wajar menggunakan hierarki di bawah ini: (lanjutan)

- Level 3: Teknik penilaian menggunakan *input* signifikan yang tidak dapat diobservasi: instrumen keuangan dinilai menggunakan teknik penilaian dimana satu atau lebih *input* signifikan tidak dapat diobservasi. Kategori ini termasuk instrumen yang diukur berdasarkan harga kuotasi untuk instrumen serupa dimana penyesuaian atau asumsi signifikan yang tidak dapat diobservasi diperlukan untuk mencerminkan perbedaan diantara instrumen tersebut.

Nilai wajar aset dan liabilitas keuangan yang diperdagangkan di pasar aktif didasarkan pada harga kuotasi pasar atau harga kuotasi dari *dealer*. Untuk instrumen keuangan lainnya, Bank menentukan nilai wajar dengan menggunakan teknik penilaian.

Teknik penilaian termasuk nilai kini bersih dan model arus kas yang didiskonto, perbandingan dengan instrumen serupa dimana harga pasar yang dapat diobservasi tersedia dan model penilaian lainnya. Asumsi dan *input* yang digunakan dalam teknik penilaian termasuk bunga bebas risiko dan bunga acuan (*benchmark*), margin kredit dan premi lainnya yang digunakan untuk melakukan estimasi suku bunga diskonto, harga obligasi, nilai tukar valuta asing dan volatilitas dan korelasi harga yang diharapkan.

Tujuan dari teknik penilaian adalah menghasilkan penentuan nilai wajar yang mencerminkan harga dari instrumen keuangan pada tanggal pelaporan, yang mana akan ditentukan oleh pelaku pasar secara wajar (*arm's length*).

**5. USE OF ESTIMATES AND JUDGMENTS
(continued)**

b. Critical accounting judgments in applying the Bank's accounting policies (continued)

**b.1. Valuation of financial instruments
(continued)**

Valuation framework (continued)

The Bank measures fair values using the following hierarchy: (continued)

- Level 3: Valuation techniques using significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable. This category includes instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines the fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which the market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rate, credit spreads and other premiums used in estimating discount rates, bond prices, foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation technique is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

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5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)

b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank
(lanjutan)

b.1. Penilaian instrumen keuangan (lanjutan)

Kerangka penilaian (lanjutan)

Bank menerapkan model penilaian yang secara umum digunakan untuk menentukan nilai wajar instrumen keuangan yang umum dan tidak kompleks seperti kontrak berjangka valuta asing yang hanya menggunakan data pasar yang dapat diobservasi dan hanya memerlukan sedikit pertimbangan dan estimasi manajemen. Harga yang dapat diobservasi dan *input* dalam model biasanya tersedia di pasar untuk obligasi yang terdaftar di bursa. Ketersediaan harga pasar yang dapat diobservasi dan *input* dalam model mengurangi kebutuhan untuk pertimbangan dan estimasi manajemen, dan juga mengurangi ketidakpastian yang terkait dengan penentuan nilai wajar. Ketersediaan harga pasar dan *input* bervariasi tergantung pada produk dan pasar, dan sangat dipengaruhi oleh perubahan berdasarkan kejadian tertentu dan kondisi umum pasar keuangan.

Instrumen keuangan yang diukur pada nilai wajar

Tabel di bawah ini memberikan analisis instrumen keuangan yang diukur pada nilai wajar pada akhir periode pelaporan, berdasarkan hirarki nilai wajar:

5. USE OF ESTIMATES AND JUDGMENTS
(continued)

b. Critical accounting judgments in applying the Bank's accounting policies (continued)

b.1. Valuation of financial instruments
(continued)

Valuation framework (continued)

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like foreign exchange forward contracts that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt securities. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Financial instruments measured at fair values

The table below analyses financial instruments measured at fair value at the end of the reporting period, based on fair value hierarchy:

2018						
	Catatan/ Notes	Level 1	Level 2	Level 3	Jumlah/ Total	
Aset keuangan dalam kelompok diperdagangkan	11	-	2.903.759	-	2.903.759	Financial assets held for trading
Tagihan derivatif	12	6.393	520.983	14.506	541.882	Derivative receivables
Efek-efek untuk tujuan investasi	10	-	12.599.817	-	12.599.817	Investment securities
		6.393	16.024.559	14.506	16.045.458	
Liabilitas derivatif	12	(13.763)	(783.845)	(26.590)	(824.198)	Derivative payables
2017						
	Catatan/ Notes	Level 1	Level 2	Level 3	Jumlah/ Total	
Aset keuangan dalam kelompok diperdagangkan	11	-	5.026.762	126.870	5.153.632	Financial assets held for trading
Tagihan derivatif	12	1.691	181.437	6.127	189.255	Derivative receivables
Efek-efek untuk tujuan investasi	10	-	13.703.861	-	13.703.861	Investment securities
		1.691	18.912.060	132.997	19.046.748	
Liabilitas derivatif	12	(1.278)	(520.586)	(5.173)	(527.037)	Derivative payables

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**5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)**

**5. USE OF ESTIMATES AND JUDGMENTS
(continued)**

**b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank
(lanjutan)**

**b. Critical accounting judgments in applying the
Bank's accounting policies (continued)**

b.1. Penilaian instrumen keuangan (lanjutan)

**b.1. Valuation of financial instruments
(continued)**

**Instrumen keuangan yang diukur pada
nilai wajar (lanjutan)**

**Financial instruments measured at fair
values (continued)**

Tabel berikut memperlihatkan rekonsiliasi dari saldo awal ke saldo akhir melalui pengukuran nilai wajar pada level 3 hirarki nilai wajar untuk tahun 2018:

The following table shows a reconciliation from the beginning balance to the ending balances for fair value measurements in level 3 of the fair value hierarchy for 2018:

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables	
2018				2018
Saldo 1 Januari	126.870	6.127	5.173	Balance at 1 January
Laba/(rugi) diakui:				Total gains/(losses):
- Dalam laba rugi	-	635	21.145	In profit or loss -
- Dalam laba rugi dari posisi penyelesaian	1.065	-	-	In profit or loss - from positions settled
Pembelian	48.345	-	-	Purchases
Penyelesaian dan penjualan	(184.017)	-	-	Settlement and sales
Transfer ke level 3	-	10.098	40	Transfer into level 3
Transfer dari level 3	-	(2.719)	(80)	Transfer from level 3
Efek kurs	7.737	365	312	Exchange rate difference
Saldo 31 Desember	<u>-</u>	<u>14.506</u>	<u>26.590</u>	Balance at 31 December

Total laba atau rugi yang termasuk dalam laba rugi tahun berjalan pada tabel di atas disajikan dalam laporan laba rugi sebagai berikut:

Total gains or losses included in profit or loss for the year in the above table are presented in the statement of profit or loss as follows:

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables	
2018				2018
Total laba selama periode yang termasuk dalam laba rugi:				Total gains for the end of the reporting period:
Pendapatan bersih transaksi perdagangan	-	635	(21.145)	Net trading income
Total laba selama periode yang termasuk dalam laba rugi atas aset dan liabilitas yang dimiliki pada akhir tahun pelaporan:				Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period:
Pendapatan bersih transaksi perdagangan	-	8.014	21.104	Net trading income

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**5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)**

**b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank
(lanjutan)**

b.1. Penilaian instrumen keuangan (lanjutan)

Instrumen keuangan yang diukur pada nilai wajar (lanjutan)

Tabel berikut memperlihatkan rekonsiliasi dari saldo awal ke saldo akhir melalui pengukuran nilai wajar pada level 3 hirarki nilai wajar untuk tahun 2017:

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables
2017			
Saldo 1 Januari	-	-	-
Pembelian	126.870	-	-
Pengalihan sehubungan dengan integrasi usaha	-	6.127	5.173
Saldo 31 Desember	126.870	6.127	5.173

Total laba atau rugi yang termasuk dalam laba rugi tahun berjalan pada tabel di atas disajikan dalam laporan laba rugi sebagai berikut:

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables
2017			
Total laba selama periode yang termasuk dalam laba rugi atas aset dan liabilitas yang dimiliki pada akhir tahun pelaporan:			
Pendapatan bersih transaksi perdagangan	-	6.127	5.173

Penyesuaian nilai wajar

Penyesuaian atas nilai wajar diterapkan ketika Bank mempertimbangkan bahwa terdapat faktor-faktor tambahan yang dipertimbangkan oleh pelaku pasar tapi tidak terdapat di dalam teknik penilaian. Tingkat penyesuaian atas nilai wajar tergantung pada banyak faktor yang spesifik terhadap entitas, sejauh Bank berkeyakinan bahwa pelaku pasar pihak ketiga akan mempertimbangkan hal-hal tersebut dalam menentukan harga transaksi.

Instrumen keuangan yang tidak diukur pada nilai wajar

Pada 31 Desember 2018 dan 2017, nilai wajar dari instrumen keuangan yang tidak diukur pada nilai wajar dikategorikan sebagai level 2 dalam hirarki nilai wajar, kecuali untuk kredit yang diberikan kepada nasabah, wesel ekspor, pinjaman, dan pinjaman subordinasi dikategorikan sebagai level 3 dalam hirarki nilai wajar.

Nilai wajar dari instrumen keuangan yang tidak diukur pada nilai wajar dijelaskan pada Catatan 25.

**5. USE OF ESTIMATES AND JUDGMENTS
(continued)**

b. Critical accounting judgments in applying the Bank's accounting policies (continued)

**b.1. Valuation of financial instruments
(continued)**

Financial instruments measured at fair values (continued)

The following table shows a reconciliation from the beginning balance to the ending balances for fair value measurements in level 3 of the fair value hierarchy for 2017:

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables
2017			
Balance at 1 January	-	-	-
Purchases	126.870	-	-
Transfer in relation to business integration	-	6.127	5.173
Balance at 31 December	126.870	6.127	5.173

Total gains or losses included in profit or loss for the year in the above table are presented in the statement of profit or loss as follows:

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables
2017			
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period:			
Net trading income	-	6.127	5.173

Fair value adjustments

Fair value adjustments are adopted when the Bank considers that there are additional factors that would be considered by a market participant that are not incorporated within the valuation model. The magnitude of fair value adjustments depends upon many entity-specific factors, to the extent that the Bank believes that a third party market participants would take them into account in pricing a transaction.

Financial instruments not measured at fair values

As of 31 December 2018 and 2017, the fair value of financial instruments not measured at fair value is categorised as level 2 in the fair value hierarchy, except for loans to customers, export bills, borrowing and subordinated debt are categorized as level 3 in the fair value hierarchy.

Fair value of financial instruments not measured at fair value are explained in Note 25.

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**5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)**

**b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank
(lanjutan)**

b.2. Klasifikasi aset dan liabilitas keuangan

Kebijakan akuntansi Bank memberikan acuan untuk menetapkan aset dan liabilitas keuangan ke dalam berbagai kategori pada saat pengakuan awal sesuai dengan standar akuntansi yang berlaku berdasarkan kondisi tertentu.

**5. USE OF ESTIMATES AND JUDGMENTS
(continued)**

b. Critical accounting judgments in applying the Bank's accounting policies (continued)

b.2. Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

6. KAS

	2018	2017
Rupiah	433.271	407.590
Valuta asing	220.790	173.951
Jumlah	654.061	581.541

Saldo kas dalam mata uang Rupiah termasuk jumlah kas pada ATM masing-masing sebesar Rp 42.686 dan Rp 37.905 pada tanggal 31 Desember 2018 dan 2017.

6. CASH

	Rupiah
	Foreign currencies
	Total

Total cash in Rupiah currency included cash in ATMs amounting to Rp 42,686 and Rp 37,905 as of 31 December 2018 and 2017, respectively.

7. GIRO PADA BANK INDONESIA

	2018	2017
Rupiah	4.247.633	3.458.313
Valuta asing	3.530.290	3.296.902
Jumlah	7.777.923	6.755.215

Saldo giro pada Bank Indonesia disediakan untuk memenuhi persyaratan Giro Wajib Minimum (GWM) dari Bank Indonesia.

7. DEMAND DEPOSIT WITH BANK INDONESIA

	Rupiah
	Foreign currencies
	Total

Demand deposits with Bank Indonesia are provided to fulfill Bank Indonesia's Minimum Statutory Reserve requirements (GWM).

	2018	2017
Rupiah		
- Giro Wajib Minimum *)	9,40%	7,85%
- Penyangga Likuiditas Makroprudensial **)	33,57%	42,22%
GWM valuta asing	8,13%	8,04%

*) Sebelumnya GWM Primer

**) Sebelumnya GWM Sekunder

GWM (dahulu disebut GWM Primer) adalah jumlah dana minimum yang wajib dipelihara oleh Bank dalam bentuk saldo rekening giro pada Bank Indonesia, sedangkan Penyangga Likuiditas Makroprudensial (PLM atau dahulu disebut GWM Sekunder) adalah cadangan likuiditas minimum dalam Rupiah yang wajib dipelihara oleh Bank berupa Sertifikat Bank Indonesia (SBI), Sertifikat Deposito Bank Indonesia (SDBI), Surat Utang Negara (SUN), dan/atau Surat Berharga Negara (SBN).

Previously Primary Minimum Statutory Reserve *)
Previously Secondary Minimum Statutory Reserve **)

Minimum Statutory Reserve (previously Primary Minimum Statutory Reserve) is a minimum reserve that should be maintained by Bank in the current accounts with Bank Indonesia, while Macro-prudential Liquidity Buffer (PLM or previously Secondary Minimum Statutory Reserve) is a minimum reserve in Rupiah that should be maintained by Bank which comprises of Bank Indonesia Certificates (SBI), Bank Indonesia Deposit Certificates (SDBI), Government Debenture Debt (SUN), and/or Government Commercial Notes (SBN).

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7. GIRO PADA BANK INDONESIA (lanjutan)

Pada tanggal 31 Desember 2018 GWM Bank telah sesuai dengan PBI No. 20/3/PBI/2018 tanggal 29 Maret 2018 dan Peraturan Anggota Dewan Gubernur No. 20/30/PADG/2018 tanggal 30 November 2018 tentang Perubahan atas Peraturan Anggota Dewan Gubernur No. 20/10/PADG/2018 tanggal 31 Mei 2018 sebagaimana diubah dengan PADG No. 20/30/PADG/2018 tanggal 30 November 2018 tentang Giro Wajib Minimum dalam Rupiah dan Valuta Asing bagi Bank Umum Konvensional, Bank Umum Syariah, dan Unit Usaha Syariah yang berlaku efektif 1 Desember 2018, dimana GWM Rupiah sebesar 6,5% serta valuta asing sebesar 8%. GWM Rupiah dipenuhi secara harian sebesar 3,5% dan secara rata-rata untuk masa laporan tertentu 3%.

GWM LFR adalah tambahan simpanan minimum yang wajib dipelihara oleh Bank dalam bentuk saldo Rekening Giro pada Bank Indonesia. Sesuai dengan perubahan terakhir PBI No. 20/3/PBI/2018, besaran dan parameter yang digunakan dalam perhitungan GWM LFR ditetapkan batas bawah LFR target 80% dan batas atas LFR target 92% serta KPMM insentif 14%. Batas atas LFR target Bank sebesar 94% dalam hal Bank memenuhi rasio kredit UMKM lebih cepat dari target waktu tahapan pencapaian rasio kredit UMKM, memenuhi rasio NPL total kredit secara bruto kurang dari 5%, dan memenuhi rasio NPL kredit UMKM secara bruto kurang dari 5%. GWM LFR pada tanggal 31 Desember 2018 sebesar 0%.

Bank telah memenuhi Peraturan Bank Indonesia yang berlaku tentang GWM Bank Umum Konvensional pada tanggal 31 Desember 2018 dan 2017.

8. GIRO PADA BANK-BANK LAIN

	2018	2017
Rupiah	59.976	14.538
Valuta asing	1.936.626	1.851.485
Jumlah giro pada bank-bank lain	1.996.602	1.866.023

Pada tanggal 31 Desember 2018 dan 2017 seluruh giro pada bank-bank lain tidak mengalami penurunan nilai.

Manajemen Bank berkeyakinan bahwa tidak ada penyisihan kerugian penurunan nilai giro pada bank-bank lain yang perlu diakui pada tanggal 31 Desember 2018 dan 2017.

9. PENEMPATAN PADA BANK-BANK LAIN

Penempatan pada bank-bank lain berdasarkan jenis dan mata uang adalah sebagai berikut:

	2018	2017
Valuta asing	7.507.532	6.353.055
Jumlah penempatan pada bank-bank lain	7.507.532	6.353.055

Manajemen Bank berkeyakinan bahwa tidak ada penyisihan kerugian penurunan nilai penempatan pada bank-bank lain yang perlu diakui pada tanggal 31 Desember 2018 dan 2017.

**7. DEMAND DEPOSIT WITH BANK INDONESIA
(continued)**

As at 31 December 2018 Bank's Minimum Statutory Reserves complies with BI regulation No. 20/3/PBI/2018 dated 29 March 2018 and Governor Members Regulation No. 20/30/PADG/2018 dated 30 November 2018 regarding Amendment of Governor Members Regulation No. 20/10/PADG/2018 dated 31 May 2018 as amended in PADG No.20/30/PADG/2018 dated 30 November 2018 regarding Minimum Statutory Reserves in Rupiah and Foreign Currencies for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Unit which effective since 1 December 2018, with Rupiah 6.5% and foreign currencies of 8%. Rupiah Statutory Reserves is fulfilled in daily basis of 3.5% and in average basis for certain reporting period of 3%.

LFR Statutory Reserve is the additional reserve that should be maintained by the Bank in the form of Current account with Bank Indonesia. In accordance with the latest amendment in PBI No. 20/3/PBI/2018 the amount and parameters used for LFR Statutory Reserve calculation is set at the minimum target of LFR at 80% and maximum target of LFR at 92%, and incentive CAR at 14%. The maximum target of LFR of the Bank is 94%, if Bank has met lending ratio to Micro, Small and Medium Loan Ratio (UMKM) faster than the requirement, total gross NPL ratio below 5%, and total gross NPL UMKM ratio below 5%. The GWM on LFR as of 31 December 2018 was 0%.

The Bank has fulfilled the prevailing Bank Indonesia's Regulation regarding GWM for Conventional Banks as at 31 December 2018 and 2017.

8. DEMAND DEPOSITS WITH OTHER BANKS

	2018	2017
Rupiah	59.976	14.538
Foreign currencies	1.936.626	1.851.485
Total demand deposits with other banks	1.996.602	1.866.023

As of 31 December 2018 and 2017 all demand deposits with other banks were not impaired.

The Bank's management believes that there was no allowance for impairment losses on demand deposits with other banks to be recognised as of 31 December 2018 and 2017.

9. PLACEMENTS WITH OTHER BANKS

Placements with other banks by type and currency were as follows:

	2018	2017
Foreign currencies	7.507.532	6.353.055
Total placements with other banks	7.507.532	6.353.055

The Bank's management believes that there was no allowance for impairment losses on placements with other banks to be recognised as of 31 December 2018 and 2017.

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10. EFEK-EFEK UNTUK TUJUAN INVESTASI

Pada tanggal 31 Desember 2018 dan 2017, seluruh efek-efek untuk tujuan investasi diklasifikasikan sebagai tersedia untuk dijual kecuali untuk investasi dalam obligasi pemerintah-sukuk, dimana diklasifikasikan sebagai diukur pada nilai wajar melalui penghasilan komprehensif lain. Rincian efek-efek untuk tujuan investasi berdasarkan jenis adalah sebagai berikut:

	2018	2017
Obligasi pemerintah	7.066.973	5.121.236
Sertifikat Deposito Bank Indonesia	3.111.969	7.329.704
Sertifikat Bank Indonesia	1.240.443	-
Surat Perbendaharaan Negara (SPN)	990.173	320.986
Obligasi pemerintah - sukuk	190.259	931.935
Jumlah	<u>12.599.817</u>	<u>13.703.861</u>

Pada tanggal 31 Desember 2018 dan 2017, semua efek-efek untuk tujuan investasi merupakan transaksi dengan pihak ketiga.

Surat Perbendaharaan Negara (SPN) yang dimiliki oleh Bank merupakan *zero-coupon bonds* yang diterbitkan oleh Pemerintah Republik Indonesia.

Obligasi pemerintah - sukuk yang dimiliki oleh Bank merupakan obligasi yang diterbitkan Pemerintah Republik Indonesia dan Perusahaan Penerbit SBSN (Surat Berharga Syariah Negara) berdasarkan prinsip syariah dengan pembayaran bagi hasil tetap.

Perubahan laba yang belum direalisasi dari perubahan nilai wajar efek-efek untuk tujuan investasi selama tahun yang berakhir tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

	2018	2017
Saldo 1 Januari - sebelum pajak penghasilan tangguhan	71.665	9.311
Penambahan laba yang belum direalisasi selama tahun berjalan, bersih	<u>(155.588)</u>	<u>(10.055)</u>
Jumlah - sebelum pajak penghasilan tangguhan	(83.923)	(744)
Pajak penghasilan tangguhan (Catatan 32)	20.980	186
Pengalihan dari IMO sehubungan dengan integrasi usaha	<u>-</u>	<u>54.306</u>
Saldo 31 Desember - bersih	<u>(62.943)</u>	<u>53.748</u>

Manajemen Bank berkeyakinan bahwa seluruh efek-efek untuk tujuan investasi tidak mengalami penurunan nilai dan tidak ada penyisihan kerugian penurunan nilai yang perlu diakui pada tanggal 31 Desember 2018 dan 2017.

10. INVESTMENT SECURITIES

As of 31 December 2018 and 2017, all investment securities were classified as available-for-sale except for investment in government bonds-sukuk which are classified as fair value through other comprehensive income. Details of investment securities by type were as follows:

Government bonds
Deposit Certificates of Bank Indonesia
Certificates of Bank Indonesia
Treasury bills
Government bonds - sukuk

As of 31 December 2018 and 2017, investment securities were all made with third parties.

Treasury bills held by the Bank are zero-coupon bonds issued by the Government of Republic of Indonesia.

Government bonds - sukuk held by the Bank are the bonds issued by the Government of Republic of Indonesia and Perusahaan Penerbit SBSN (Surat Berharga Syariah Negara) under sharia principal with fixed revenue sharing payment.

The movement of unrealised gain from the change in fair value of investment securities during the years ended 31 December 2018 and 2017 was as follows:

Balance - 1 January before deferred income tax
Addition of unrealised gain during the year, net
Total - before deferred income tax
Deferred income tax (Note 32)
Transfer from IMO in relation to business integration
Balance 31 December - net

The Bank's management believes that all investment securities were not impaired and there was no allowance for impairment losses on investment securities to be recognised as of 31 December 2018 and 2017.

11. ASET KEUANGAN DALAM KELOMPOK DIPERDAGANGKAN

Aset keuangan dalam kelompok diperdagangkan terdiri dari:

	2018	2017
Efek-efek	2.903.759	5.026.762
Kredit yang diberikan kepada nasabah	<u>-</u>	<u>126.870</u>
	<u>2.903.759</u>	<u>5.153.632</u>

a.1. Efek-efek

	2018	2017
Obligasi pemerintah	2.903.759	4.725.173
Surat Perbendaharaan Negara	<u>-</u>	<u>301.589</u>
	<u>2.903.759</u>	<u>5.026.762</u>

Securities
Loans to customers

11. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading consist of the following:

a.1. Securities

Government bonds
Treasury Bills

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**11. ASET KEUANGAN DALAM KELOMPOK
DIPERDAGANGKAN (lanjutan)**

a.2. Kredit yang diberikan kepada nasabah

Termasuk di dalam kredit yang diberikan kepada nasabah adalah pinjaman sindikasi yang ditujukan untuk dijual oleh Bank. Tidak terdapat pinjaman sindikasi per 31 Desember 2018 (2017: Rp 126.870).

**11. FINANCIAL ASSETS HELD FOR TRADING
(continued)**

a.2. Loans to customers

Included in loans to customers are the syndicated loans which held for sell by the Bank. There was no syndicated loan as at 31 December 2018 (2017: Rp 126,870).

12. TAGIHAN DAN LIABILITAS DERIVATIF

Tagihan dan liabilitas derivatif terdiri dari:

12. DERIVATIVE RECEIVABLES AND PAYABLES

Derivative receivables and payables consist of the following:

2018				
Instrumen	Jumlah nosional/ Notional amount	Nilai wajar/Fair values		Instruments
		Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables	
Tidak dikategorikan sebagai lindung nilai				Not designed as hedges
Kontrak valuta berjangka	21.431.243	367.248	401.835	Currency forward contracts
Kontrak cross currency swap	6.852.573	108.820	351.630	Cross currency swap contracts
Kontrak swap suku bunga	11.883.972	59.421	56.412	Interest rate swap contracts
Kontrak tunai valuta asing	2.077.756	6.393	13.763	Currency spot contracts
Kontrak currency option	62.036	-	558	Currency option contracts
		541.882	824.198	
2017				
Instrumen	Jumlah nosional/ Notional amount	Nilai wajar/Fair values		Instruments
		Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables	
Tidak dikategorikan sebagai lindung nilai				Not designed as hedges
Kontrak valuta berjangka	21.382.263	41.068	233.168	Currency forward contracts
Kontrak cross currency swap	11.138.383	101.863	264.705	Cross currency swap contracts
Kontrak swap suku bunga	9.053.254	44.633	27.882	Interest rate swap contracts
Kontrak tunai valuta asing	3.301.570	1.691	1.278	Currency spot contracts
Kontrak currency option	1.369	-	4	Currency option contracts
		189.255	527.037	

Manajemen Bank berkeyakinan bahwa tidak ada penyisihan kerugian penurunan nilai tagihan derivatif yang perlu diakui pada tanggal 31 Desember 2018 dan 2017.

The Bank's management believes that there was no allowance for impairment losses on derivative receivables to be recognised as of 31 December 2018 and 2017.

13. TAGIHAN DAN UTANG AKSEPTASI

13. ACCEPTANCE RECEIVABLES AND PAYABLES

	2018		2017		
	Tagihan akseptasi/ Acceptance receivables	Utang akseptasi/ Acceptance payables	Tagihan akseptasi/ Acceptance receivables	Utang akseptasi/ Acceptance payables	
Rupiah	782.656	(782.656)	394.938	(394.938)	Rupiah
Valuta asing	1.622.984	(1.622.984)	1.432.796	(1.432.796)	Foreign currencies
Jumlah	2.405.640	(2.405.640)	1.827.734	(1.827.734)	Total

Pada tanggal 31 Desember 2018 dan 2017, manajemen Bank berkeyakinan bahwa tidak ada penyisihan kerugian nilai atas tagihan akseptasi yang perlu diakui.

As of 31 December 2018 and 2017, the Bank's management believes that there was no allowance for impairment losses on acceptance receivables to be recognised.

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14. KREDIT YANG DIBERIKAN KEPADA NASABAH

Kredit yang diberikan kepada nasabah pada biaya perolehan diamortisasi:

a. Berdasarkan jenis kredit

	2018	2017
Rupiah		
Modal kerja	23.606.912	20.441.556
Konsumsi	4.030.424	4.291.012
Investasi	2.879.911	4.651.294
Karyawan	773.374	824.924
Jumlah - Rupiah	31.290.621	30.208.786
Valuta asing		
Modal kerja	30.621.361	22.253.390
Investasi	6.548.152	8.048.824
Konsumsi	15.166	23.766
Jumlah - valuta asing	37.184.679	30.325.980
Jumlah kredit yang diberikan kepada nasabah	68.475.300	60.534.766
Penyisihan kerugian penurunan nilai	(2.131.328)	(2.583.319)
Jumlah kredit yang diberikan kepada nasabah - bersih	66.343.972	57.951.447

b. Berdasarkan sektor ekonomi

	2018	2017
Rupiah		
Perindustrian	8.422.463	7.442.334
Perdagangan, restoran dan hotel	7.943.160	10.067.952
Jasa-jasa usaha	4.027.948	2.576.484
Konstruksi	3.837.311	2.696.726
Pengangkutan, pergudangan dan jasa komunikasi	1.803.479	1.768.339
Pertanian, perkebunan dan sarana perkebunan	399.840	379.136
Jasa-jasa sosial dan masyarakat	46.586	130.369
Pertambangan	3.531	23.163
Listrik, gas dan air	2.505	8.347
Lainnya	4.803.798	5.115.936
Jumlah - Rupiah	31.290.621	30.208.786
Valuta asing		
Perindustrian	20.134.043	15.272.623
Perdagangan, restoran dan hotel	5.738.156	5.011.054
Jasa-jasa usaha	4.022.339	1.563.289
Pertambangan	3.200.693	3.106.729
Pengangkutan, pergudangan dan jasa komunikasi	3.071.219	2.322.831
Pertanian, perkebunan dan sarana perkebunan	683.939	599.173
Jasa-jasa sosial dan masyarakat	269.212	9.874
Konstruksi	49.912	2.416.640
Lainnya	15.166	23.767
Jumlah - valuta asing	37.184.679	30.325.980
Jumlah kredit yang diberikan kepada nasabah	68.475.300	60.534.766
Penyisihan kerugian penurunan nilai	(2.131.328)	(2.583.319)
Jumlah kredit yang diberikan kepada nasabah - bersih	66.343.972	57.951.447

14. LOANS TO CUSTOMERS

Loans to customers at amortised cost:

a. By type of loan

Rupiah	
Working capital	
Consumer	
Investment	
Employee	
Total - Rupiah	
Foreign currencies	
Working capital	
Investment	
Consumer	
Total - foreign currencies	
Total loans to customers	
Allowance for impairment losses	
Total loans to customers - net	

b. By economic sector

Rupiah	
Industry	
Trading, restaurant and hotel	
Business services	
Construction	
Transportation, warehousing and communication	
Agriculture, plantation and plantation improvement	
Social and public services	
Mining	
Electricity, gas and water	
Others	
Total - Rupiah	
Foreign currencies	
Industry	
Trading, restaurant and hotel	
Business services	
Mining	
Transportation, warehousing and communication	
Agriculture, plantation and plantation improvement	
Social and public services	
Construction	
Others	
Total - foreign currencies	
Total loans to customers	
Allowance for impairment losses	
Total loans to customers - net	

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14. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)

14. LOANS TO CUSTOMERS (continued)

c. Berdasarkan klasifikasi Bank Indonesia

c. By Bank Indonesia classification

	<u>2018</u>	<u>2017</u>	
Rupiah			Rupiah
Lancar	29.295.977	28.070.713	Pass
Dalam perhatian khusus	697.235	438.752	Special mention
Kurang lancar	224.481	265.633	Substandard
Diragukan	99.432	113.206	Doubtful
Macet	<u>973.496</u>	<u>1.320.482</u>	Loss
Jumlah - Rupiah	<u>31.290.621</u>	<u>30.208.786</u>	Total - Rupiah
Valuta asing			Foreign currencies
Lancar	35.295.969	28.668.837	Pass
Dalam perhatian khusus	1.460.585	770.603	Special mention
Kurang lancar	88.103	9.710	Substandard
Diragukan	189.052	89.123	Doubtful
Macet	<u>150.970</u>	<u>787.707</u>	Loss
Jumlah - valuta asing	<u>37.184.679</u>	<u>30.325.980</u>	Total - foreign currencies
Jumlah kredit yang diberikan kepada nasabah	68.475.300	60.534.766	Total loans to customers
Penyisihan kerugian penurunan nilai	<u>(2.131.328)</u>	<u>(2.583.319)</u>	Allowance for impairment losses
Jumlah kredit yang diberikan kepada nasabah - bersih	<u>66.343.972</u>	<u>57.951.447</u>	Total loans to customers - net

d. Kredit modal kerja terdiri dari pinjaman rekening koran dan pinjaman dengan surat promes.

d. Working capital loans consist of demand deposits loans and loans with promissory notes.

Kredit investasi adalah pemberian fasilitas kepada debitur yang tujuan penggunaannya untuk investasi dan jangka waktunya disesuaikan dengan jangka waktu investasinya. Kredit investasi diberikan dalam bentuk *term-loan*.

Investment loans are the facilities given to debtors for investment purposes with terms depend on the investment period. Investment loans consist of term-loans.

Kredit konsumsi terdiri dari kredit pemilikan rumah, kredit kendaraan bermotor, *personal loans*, dan kartu kredit.

Consumer loans consist of housing, motor vehicles ownership loans, personal loans, and credit card.

e. Kredit sindikasi merupakan kredit yang diberikan kepada debitur di bawah perjanjian pembiayaan bersama dengan bank-bank lain. Partisipasi Bank dalam pinjaman sindikasi adalah berkisar antara 1,00% - 40,00% dan 1,00% - 69,82% masing-masing pada tanggal 31 Desember 2018 dan 2017.

e. The syndicated loans represent loans granted to debtors under syndicated loan agreements with other banks. The Bank's participation in syndicated loans is ranging 1.00% - 40.00% and 1.00% - 69.82% as of 31 December 2018 and 2017, respectively.

f. Selama tahun yang berakhir tanggal 31 Desember 2018 dan 2017, Bank melakukan negosiasi kembali kredit dengan perpanjangan jangka waktu.

f. For the years ended 31 December 2018 and 2017, the Bank renegotiated loans through extension of period.

Berdasarkan jenis kredit:

By type of loans:

	<u>2018</u>	<u>2017</u>	
Investasi	632.729	1.772.909	Investment
Modal kerja	231.286	441.638	Working capital
Konsumsi	<u>40.081</u>	<u>37.651</u>	Consumer
	904.096	2.252.198	
Penyisihan kerugian penurunan nilai	<u>(311.657)</u>	<u>(1.320.795)</u>	Allowance for impairment losses
Jumlah kredit yang telah dinegosiasikan kembali - bersih	<u>592.439</u>	<u>931.403</u>	Total of renegotiated loans - net

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14. KREDIT YANG DIBERIKAN KEPADA NASABAH
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14. LOANS TO CUSTOMERS (continued)

- f. Selama tahun yang berakhir tanggal 31 Desember 2018 dan 2017, Bank melakukan negosiasi kembali kredit dengan perpanjangan jangka waktu. (lanjutan)

- f. For the years ended 31 December 2018 and 2017, the Bank renegotiated loans through extension of period. (continued)

Berdasarkan klasifikasi Bank Indonesia:

By Bank Indonesia classification:

	2018	2017	
Lancar	157.428	389.731	Pass
Dalam perhatian khusus	269.411	423.179	Special mention
Kurang lancar	90.906	584	Substandard
Diragukan	59.780	107.560	Doubtful
Macet	326.571	1.331.144	Loss
	904.096	2.252.198	
Penyisihan kerugian penurunan nilai	(311.657)	(1.320.795)	Allowance for impairment losses
Jumlah kredit yang telah dinegosiasikan kembali - bersih	592.439	931.403	Total of renegotiated loans - net

- g. Pada tanggal 31 Desember 2018 dan 2017, Bank telah memenuhi ketentuan Batas Maksimum Pemberian Kredit (BMPK), baik untuk pihak berelasi maupun untuk pihak ketiga.

- g. As of 31 December 2018 and 2017, the Bank complied with Legal Lending Limit (LLL) requirements for both related parties and third parties.

- h. Pada tanggal 31 Desember 2018 dan 2017, rincian kredit bermasalah menurut sektor ekonomi adalah sebagai berikut:

- h. As of 31 December 2018 and 2017, details of impaired loans based on economic sector were as follows:

	2018		2017		
	Kredit bermasalah/ Non-performing loans	Penyisihan kerugian penurunan nilai/ Allowance for impairment losses	Kredit bermasalah/ Non-performing loans	Penyisihan kerugian penurunan nilai/ Allowance for impairment losses	
Perindustrian	785.454	(435.691)	896.889	(467.582)	Industry
Perdagangan, restoran dan Hotel	622.721	(323.967)	822.287	(529.980)	Trading, restaurant and hotel
Jasa-jasa usaha	84.923	(18.958)	218.092	(79.821)	Business services
Konstruksi	84.685	(51.363)	264.977	(183.562)	Construction
Pengangkutan	39.082	(10.939)	48.720	(29.651)	Transportation
Pertanian	16.463	(10.205)	-	-	Agriculture
Pertambangan	2.534	(1.779)	242.448	(234.238)	Mining
Lainnya	89.672	(36.579)	92.448	(30.015)	Others
Jumlah - Rupiah	1.725.534	(889.481)	2.585.861	(1.554.849)	Total - Rupiah

- i. Rasio *non-performing loan* (NPL) pada tanggal 31 Desember 2018 dan 2017 masing-masing adalah sebagai berikut:

- i. As of 31 December 2018 and 2017, the non-performing loan (NPL) ratios were as follows:

	2018	2017	
NPL bruto	2,52%	4,27%	Gross NPL
NPL neto	1,22%	1,70%	Net NPL

- j. Pada tanggal 31 Desember 2018 dan 2017, kredit yang diberikan yang dijamin dengan jaminan tunai sebesar Rp 7.940.747 dan Rp 7.679.718 (Catatan 16).

- j. As of 31 December 2018 and 2017, loans collateralised by cash collateral amounted to Rp 7,940,747 and Rp 7,679,718 (Note 16).

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14. KREDIT YANG DIBERIKAN KEPADA NASABAH
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14. LOANS TO CUSTOMERS (continued)

k. Perubahan penyisihan kerugian penurunan nilai kredit yang diberikan kepada nasabah adalah sebagai berikut:

k. The movement of allowance for impairment losses on loans to customers was as follows:

	2018			
	Rupiah	Valuta asing/ Foreign currencies	Jumlah/ Total	
Penyisihan kerugian penurunan nilai kolektif:				Collective allowance for impairment losses:
Saldo, 1 Januari 2018	558.720	299.531	858.251	Balance, 1 January 2018
Penambahan penyisihan	84.180	59.863	144.043	Additions of the allowance
Efek diskonto	(2.251)	-	(2.251)	Effect of discounting
Penghapusan kredit	(318.527)	-	(318.527)	Write-offs
Penerimaan atas kredit yang telah dihapusbukukan	103.611	-	103.611	Recovery of loans previously written-off
Selisih kurs	-	26.655	26.655	Exchange rate difference
Saldo, 31 Desember 2018	425.733	386.049	811.782	Balance, 31 December 2018
Penyisihan kerugian penurunan nilai spesifik:				Specific allowance for impairment losses:
Saldo, 1 Januari 2018	881.515	843.553	1.725.068	Balance, 1 January 2018
Penambahan penyisihan	764.340	456.040	1.220.380	Additions of the allowance
Efek diskonto	(57.048)	(18.802)	(75.850)	Effect of discounting
Penghapusan kredit	(679.975)	(1.008.448)	(1.688.423)	Write-offs
Penerimaan atas kredit yang telah dihapusbukukan	11.707	94.636	106.343	Recovery of loans previously written-off
Selisih kurs	-	32.028	32.028	Exchange rate difference
Saldo, 31 Desember 2018	920.539	399.007	1.319.546	Balance, 31 December 2018
Jumlah penyisihan kerugian penurunan nilai	1.346.272	785.056	2.131.328	Total allowance for impairment losses
	2017			
	Rupiah	Valuta asing/ Foreign currencies	Jumlah/ Total	
Penyisihan kerugian penurunan nilai kolektif:				Collective allowance for impairment losses:
Saldo, 1 Januari 2017	108.976	19.035	128.011	Balance, 1 January 2017
Penambahan/(pemulihan) penyisihan	174.037	(99.140)	74.897	Additions/(reversal) of the allowance
Efek diskonto	(1.514)	-	(1.514)	Effect of discounting
Penghapusan kredit	(250.281)	-	(250.281)	Write-offs
Penerimaan atas kredit yang telah dihapusbukukan	71.480	-	71.480	Recovery of loans previously written-off
Selisih kurs	-	11.937	11.937	Exchange rate difference
Pengalihan sehubungan dengan integrasi usaha	456.022	367.699	823.721	Transfer in relation to business integration
Saldo, 31 Desember 2017	558.720	299.531	858.251	Balance, 31 December 2017
Penyisihan kerugian penurunan nilai spesifik:				Specific allowance for impairment losses:
Saldo, 1 Januari 2017	408.281	25.482	433.763	Balance, 1 January 2017
Penambahan penyisihan	538.979	178.897	717.876	Additions of the allowance
Efek diskonto	(63.411)	(40.289)	(103.700)	Effect of discounting
Penghapusan kredit	(212.221)	(129.773)	(341.994)	Write-offs
Penerimaan atas kredit yang telah dihapusbukukan	10	-	10	Recovery of loans previously written-off
Selisih kurs	-	36.103	36.103	Exchange rate difference
Pengalihan sehubungan dengan integrasi usaha	209.877	773.133	983.010	Transfer in relation to business integration
Saldo, 31 Desember 2017	881.515	843.553	1.725.068	Balance, 31 December 2017
Jumlah penyisihan kerugian penurunan nilai	1.440.235	1.143.084	2.583.319	Total allowance for impairment losses

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14. KREDIT YANG DIBERIKAN KEPADA NASABAH
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Manajemen Bank berkeyakinan bahwa penyisihan kerugian penurunan nilai yang dibentuk adalah cukup untuk menutupi kemungkinan penurunan nilai kredit yang diberikan kepada nasabah.

14. LOANS TO CUSTOMERS (continued)

The Bank's management believes that the allowance for impairment losses provided is adequate to cover any possible impairment on loans to customers.

15. ASET LAIN-LAIN

Pada tanggal 31 Desember 2018 dan 2017, aset lain-lain Bank adalah sebagai berikut:

15. OTHER ASSETS

As of 31 December 2018 and 2017, Bank's other assets were as follows:

	2018	2017	
Pajak dibayar dimuka (lihat Catatan 32a)	648.152	496.460	<i>Prepaid tax (refer to Note 32a)</i>
Pendapatan yang masih akan diterima	550.708	531.630	<i>Accrued income</i>
Transaksi dalam proses penyelesaian	319.396	648.905	<i>Transaction in process of settlement</i>
Aset yang dimiliki untuk dijual	154.317	110.724	<i>Assets held for sale</i>
Beban dibayar dimuka	134.831	145.332	<i>Prepayments</i>
Uang muka	114.466	35.994	<i>Advances</i>
Jaminan setoran	36.860	48.347	<i>Security deposits</i>
Lainnya	618.700	583.823	<i>Others</i>
Jumlah	2.577.430	2.601.215	Total

16. SIMPANAN DARI NASABAH

Simpanan dari nasabah pada tanggal 31 Desember 2018 dan 2017 terdiri dari:

16. DEPOSITS FROM CUSTOMERS

Deposits from customers as of 31 December 2018 and 2017 consisted of the following:

	2018	2017	
Rupiah			<i>Rupiah</i>
Giro	15.444.314	15.457.678	<i>Demand deposits</i>
Tabungan	4.839.738	5.409.026	<i>Saving accounts</i>
Deposito berjangka dan <i>deposits on call</i>	13.551.510	13.749.968	<i>Time deposits and deposits on call</i>
	33.835.562	34.616.672	
Valuta asing			<i>Foreign currencies</i>
Giro	9.517.032	10.117.616	<i>Demand deposits</i>
Tabungan	7.387.529	7.720.879	<i>Saving accounts</i>
Deposito berjangka dan <i>deposits on call</i>	4.166.845	4.477.506	<i>Time deposits and deposits on call</i>
	21.071.406	22.316.001	
Jumlah	54.906.968	56.932.673	Total

Pada tanggal 31 Desember 2018 dan 2017, termasuk di dalam simpanan dari nasabah adalah jaminan untuk kredit yang diberikan kepada nasabah masing-masing sebesar Rp 7.940.747 dan Rp 7.679.718.

As of 31 December 2018 and 2017, included in deposits from customers are collaterals for loans to customers amounted Rp 7,940,747 and Rp 7,679,718, respectively.

17. SIMPANAN DARI BANK - BANK LAIN

Simpanan dari bank-bank lain pada tanggal 31 Desember 2018 dan 2017 terdiri dari:

17. DEPOSITS FROM OTHER BANKS

Deposits from other banks as at 31 December 2018 and 2017 consisted of the following:

	2018	2017	
Rupiah			<i>Rupiah</i>
Giro	6.866.438	4.673.077	<i>Demand deposits</i>
Deposito berjangka	1.900.000	2.000.000	<i>Time deposits</i>
	8.766.438	6.673.077	
Valuta asing			<i>Foreign currencies</i>
Giro	10.335	1.904.242	<i>Demand deposits</i>
Jumlah	8.776.773	8.577.319	Total

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18. BEBAN AKRUAL DAN PROVISI

	2018	2017
Beban yang masih harus dibayar	614.786	439.381
Bunga yang masih harus dibayar	130.042	88.974
Provisi pemutusan hubungan kerja (Catatan 3s.4)	-	709
Jumlah	<u>744.828</u>	<u>529.064</u>

18. ACCRUALS AND PROVISIONS

Accrued expenses
Accrued interest expenses
Termination provisions (Note 3s.4)
Total

19. LIABILITAS LAIN-LAIN

	2018	2017
Uang jaminan	699.307	595.953
Pendapatan ditangguhkan	450.172	542.689
Transaksi dalam proses penyelesaian	379.292	537.035
Rekening <i>suspense</i>	373.913	368.249
Utang pajak lainnya	164.965	187.783
Transfer, inkaso, dan kliring	41.168	43.792
Lain-lain	492.281	407.830
Jumlah	<u>2.601.098</u>	<u>2.683.331</u>

19. OTHER LIABILITIES

Security deposits
Deferred income
Transaction in process of settlement
Suspense accounts
Other tax liabilities
Transfers, collection and clearing
Others
Total

Uang jaminan termasuk uang yang diberikan oleh nasabah kepada Bank sebagai jaminan atas L/C impor masing-masing sebesar Rp 697.672 dan Rp 595.954 pada tanggal 31 Desember 2018 dan 2017.

The security deposits included deposits from customers for and import L/C of Rp 697,672 and Rp 595,954 as of 31 December 2018 and 2017, respectively.

20. PEMBAYARAN BERBASIS SAHAM

Bank tidak memiliki program imbalan kerja berbasis saham tersendiri dan berpartisipasi dalam program dari grup HSBC. Program ini ditujukan kepada karyawan tertentu tanpa terkait dengan kinerja. Saham diberikan kepada karyawan dalam tiga tahun dengan komposisi yang sama di setiap tahunnya dengan syarat karyawan tetap bekerja dalam grup HSBC selama periode *vesting*.

Pada tanggal 31 Desember 2018 dan 2017, saham yang masih beredar masing-masing sejumlah 328.772 (dalam nilai penuh) dan 558.300 (dalam nilai penuh) lembar.

Selama tahun-tahun yang berakhir 31 Desember 2018 dan 2017, Bank mengakui beban masing-masing sebesar Rp 34.096 dan Rp 19.216 dalam laporan laba rugi terkait dengan pembayaran imbalan kerja berbasis saham.

Harga pasar rata-rata tertimbang dari saham yang diberikan pada tahun yang berakhir pada 31 Desember 2018 dan 2017 masing-masing senilai Rp 128.021 dan Rp 122.757 (dalam Rupiah penuh).

20. SHARE-BASED PAYMENT

The Bank has no specific share-based compensation plan of its own and participates in HSBC group share plan. The plan is made to certain employees with no associated to performance conditions. Shares are released to employees over three years in equal portion for each year, provided the employees remain continuously employed within HSBC group during the vesting period.

As of 31 December 2018 and 2017, the outstanding number of shares was 328,772 (in full amount) and 558,300 (in full amount), respectively.

During the years ended 31 December 2018 and 2017, the Bank recognised an expense of Rp 34,096 and Rp 19,216, respectively, to the profit or loss in respect of share-based payment compensation plan.

The weighted average fair value of share awarded in the years ended 31 December 2018 and 2017 was Rp 128,021 and Rp 122,757, respectively (in Rupiah full amount).

21. LIABILITAS IMBALAN PASCA-KERJA

Liabilitas imbalan kerja pada tanggal 31 Desember 2018 dan 2017 terdiri dari:

	2018	2017
Liabilitas imbalan kerja jangka pendek	236.254	389.077
Liabilitas imbalan pasca-kerja	301.850	301.628
Liabilitas imbalan kerja	<u>538.104</u>	<u>690.705</u>

21. POST-EMPLOYMENT BENEFITS OBLIGATION

Employee benefits obligation as of 31 December 2018 and 2017 consisted of the following:

Short-term employee benefits obligations
Post-employment benefits obligations
Employee benefits obligations

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21. LIABILITAS IMBALAN PASCA-KERJA (lanjutan)

Sejak Januari 2017, Bank menyelenggarakan program pensiun iuran pasti untuk seluruh karyawan tetapnya dan dikelola serta diadministrasikan oleh Dana Pensiun Lembaga Keuangan Manulife Indonesia. Iuran untuk dana pensiun dihitung berdasarkan persentase tertentu dari gaji pokok karyawan.

Sebagai setoran awal, Bank menempatkan dana sebesar Rp 61.430 pada DPLK Manulife Indonesia yang dicatat sebagai beban tunjangan DPLK. Atas perubahan program pensiun ini, Bank mengakui keuntungan atas penyelesaian sebesar Rp 106.809 yang diakui langsung pada laporan laba rugi tahun berjalan.

Sesuai dengan Undang-Undang Republik Indonesia No. 13/2003 tentang ketenagakerjaan, Bank wajib memberikan imbalan pasca-kerja manfaat pasti kepada karyawannya pada saat pemutusan hubungan kerja atau pada saat karyawan menyelesaikan masa kerjanya. Imbalan pasca-kerja ini diberikan terutama berdasarkan masa kerja dan kompensasi karyawan pada saat pemutusan hubungan kerja atau selesainya masa kerja.

Dengan demikian Bank mencatat liabilitas yang mencerminkan imbalan pasca-kerja yang diwajibkan oleh Undang-Undang No. 13/2003.

Tabel berikut menyajikan perubahan nilai kini kewajiban dan liabilitas imbalan pasca-kerja Bank yang tercatat di laporan posisi keuangan pada tanggal 31 Desember 2018 dan 2017, dan perubahan liabilitas imbalan pasca-kerja dan beban yang diakui dalam laporan laba rugi dan penghasilan komprehensif lain untuk tahun yang berakhir tanggal 31 Desember 2018 dan 2017:

	2018	2017	
Nilai kini liabilitas pada awal tahun	301.628	133.887	Present value of obligation at the beginning of year
Biaya jasa kini	34.778	26.238	Current service cost
Biaya bunga	17.668	15.526	Interest cost
(Keuntungan)/kerugian aktuarial	(17.696)	42.760	Actuarial (gain)/loss
Pengalihan sehubungan dengan integrasi usaha	-	213.096	Transfer in relation to business integration
Keuntungan atas penyelesaian	-	(106.809)	Settlement gain
Imbalan yang dibayar	(34.528)	(23.070)	Benefits paid
Liabilitas imbalan pasca-kerja	<u>301.850</u>	<u>301.628</u>	Post-employment benefits obligation

**21. POST-EMPLOYMENT BENEFITS OBLIGATION
(continued)**

Since January 2017, the Bank has a defined contribution pension plan that covers all permanent employees and managed by Dana Pensiun Lembaga Keuangan Manulife Indonesia. The contribution for pension plan is computed based on certain percentage of employees' basic salary.

As initial funding, the Bank placed funds amounting to Rp 61,430 in DPLK Manulife Indonesia which is recorded as expense for DPLK allowance. In relation with the changes in pension plan, the bank recognised settlement gain amounting to Rp 106,809 which was directly recognised in statement of profit and loss for the year.

In accordance with Law of the Republic of Indonesia No. 13/2003 relating to labor regulations, the Bank is required to provide post-employment defined benefits plans to its employees when their employment is terminated or when they retire. These benefits are primarily based on years of service and the employees' compensation at termination or retirement.

Therefore the Bank recorded a liability which represents post-employment benefits as required by Law No. 13/2003.

The following table presents the movement in the present value of obligation and the post-employment benefits obligation of the Bank as recorded in the statement of financial position as of 31 December 2018 and 2017, and movement in obligation and expenses recognised in the statements of profit or loss and other comprehensive income for the years ended 31 December 2018 and 2017:

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21. LIABILITAS IMBALAN PASCA-KERJA (lanjutan)

Tabel berikut menyajikan perubahan nilai kini kewajiban dan liabilitas imbalan pasca-kerja Bank yang tercatat di laporan posisi keuangan pada tanggal 31 Desember 2018 dan 2017, dan perubahan liabilitas imbalan pasca-kerja dan beban yang diakui dalam laporan laba rugi dan penghasilan komprehensif lain untuk tahun yang berakhir tanggal 31 Desember 2018 dan 2017 (lanjutan):

	2018	2017	
Biaya jasa kini	34.778	26.238	Current service cost
Biaya bunga	17.668	15.526	Interest cost
Keuntungan atas penyelesaian	-	(106.809)	Settlement gain
Jumlah beban/(pendapatan) yang diakui	<u>52.446</u>	<u>(65.045)</u>	Total recognised loss/(income)
	2018	2017	
Liabilitas imbalan pasca-kerja, 1 Januari	301.628	133.887	Post-employment benefits obligation, 1 January
Beban imbalan pasca-kerja tahun berjalan	52.446	41.764	Post-employment benefits expense for the year
(Keuntungan)/kerugian aktuarial tahun berjalan	(17.696)	42.760	Actuarial (gain)/loss during the year
Pembayaran imbalan pasca-kerja selama tahun berjalan	(34.528)	(23.070)	Payments of post-employment benefits during the year
Keuntungan atas penyelesaian	-	(106.809)	Settlement gain
Transfer sehubungan dengan integrasi usaha	-	213.096	Transfer in relation to business integration
Liabilitas imbalan pasca-kerja, 31 Desember	<u>301.850</u>	<u>301.628</u>	Post-employment benefits obligation, 31 December

Perhitungan liabilitas imbalan pasca-kerja pada tanggal 31 Desember 2018 dan 2017 dilakukan berdasarkan laporan aktuaris independen (PT Towers Watson Purbajaga) tanggal 1 Maret 2019 dengan menggunakan asumsi utama sebagai berikut:

The calculation of post-employment benefits obligation as of 31 December 2018 and 2017 was done based on the independent actuary report (PT Towers Watson Purbajaga) dated 1 March 2019 using major assumptions as follows:

	2018	2017	
Tingkat diskonto	8,00%	6,25%	Discount rates
Kenaikan gaji	6,50%	6,50%	Salary increases
Metode aktuarial	Projected unit credit	Projected unit credit	Valuation cost method
Umur pensiun normal	55 tahun/years	55 tahun/years	Normal retirement age
Tingkat kematian	Tabel Mortalitas Indonesia 2011 (TMI 2011)/ Indonesian Mortality Table 2011 (TMI 2011)	Tabel Mortalitas Indonesia 2011 (TMI 2011)/ Indonesian Mortality Table 2011 (TMI 2011)	Mortality rates
Tingkat cacat	10% dari TMI 2011/ 10% of TMI 2011	10% dari TMI 2011/ 10% of TMI 2011	Disability rates
Tingkat pengunduran diri	15% per tahun pada usia 20 dan menurun secara linear sampai 0% per tahun pada usia 55/ 15% p.a. at 20 and reducing linearly to 0% p.a. at age 55	15% per tahun pada usia 20 dan menurun secara linear sampai 0% per tahun pada usia 55/ 15% p.a. at 20 and reducing linearly to 0% p.a. at age 55	Resignation rates

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21. LIABILITAS IMBALAN PASCA-KERJA (lanjutan)

Tabel-tabel dibawah menunjukkan sensitivitas atas kemungkinan perubahan tingkat kenaikan gaji dan tingkat diskonto terhadap kewajiban imbalan pasca kerja pada 31 Desember 2018 dan 2017:

	2018		2017		
	Peningkatan/ Increase by 100 bps	Penurunan/ Decrease by 100 bps	Peningkatan/ Increase by 100 bps	Penurunan/ Decrease by 100 bps	
Tingkat diskonto	(14.453)	15.807	(16.039)	17.632	Discount rates
Kenaikan gaji	34.973	(29.800)	38.958	(32.487)	Salary increases

Durasi rata-rata tertimbang dari liabilitas program pensiun imbalan pasti pada tanggal 31 Desember 2018 dan 2017 masing-masing adalah 5,24 dan 5,75 tahun.

The following tables represent the sensitivity analysis of a reasonably possible change insalary increase and discount rate of obligation to post-employment benefit obligation as of 31 December 2018 and 2017:

The weighted average duration of the defined benefit pension obligation at 31 December 2018 and 2017 is 5.24 and 5.75 years, respectively.

Analisis jatuh tempo yang diharapkan dari manfaat pensiun adalah sebagai berikut:

Expected maturity analysis of pension benefits are as follows:

	2018	2017	
Dalam 10 tahun kedepan	545.522	506.975	Within next 10 years
Dalam 10 sampai 20 tahun kedepan	374.970	358.525	Within next 10 to 20 years
Dalam 20 sampai 30 tahun kedepan	48.503	48.206	Within next 20 to 30 years
Dalam 30 sampai 40 tahun kedepan	163	218	Within next 30 to 40 years

22. MODAL SAHAM

Pada tanggal 20 Oktober 2008, HSBC Asia Pacific Holdings (UK) Limited (HAPH) menandatangani *Conditional Sale and Purchase Agreement* dengan beberapa pemegang saham utama untuk mengakuisisi 88,89% kepemilikan saham Bank. Berdasarkan perjanjian tersebut, HAPH mengakuisisi 38,84% kepemilikan saham dari PT Lumbung Artakencana, 38,60% dari PT Alas Pusaka dan 11,45% dari beberapa pemegang saham individu. Akuisisi ini berlaku efektif pada saat terjadinya penutupan transaksi.

22. SHARE CAPITAL

On 20 October 2008, HSBC Asia Pacific Holdings (UK) Limited (HAPH) entered into a *Conditional Sale and Purchase Agreement* with several major shareholders to acquire 88.89% share ownership of the Bank. Under the terms of the agreement, HAPH acquired 38.84% stake from PT Lumbung Artakencana, 38.60% from PT Alas Pusaka and 11.45% from several individual shareholders. The acquisition became effective upon closing of the transaction.

Pada tanggal 22 Mei 2009, terjadi penutupan transaksi penjualan dan pembelian saham sehingga akuisisi tersebut menjadi efektif.

On 22 May 2009, the shares sale and purchase transactions were completed and thus, the acquisition became effective.

Sesuai dengan Peraturan Bapepam-LK tentang Pengambilalihan Perusahaan Terbuka, akuisisi oleh HAPH di atas dianggap sebagai pengambilalihan perusahaan terbuka yang menyebabkan HAPH harus melaksanakan penawaran tender atas maksimum 270.000.000 saham yang dimiliki oleh pemegang saham publik yang mewakili 10,11% dari seluruh modal disetor dan ditempatkan penuh Bank. Penawaran tender dilaksanakan sesuai dengan syarat-syarat dan ketentuan Pernyataan Penawaran Tender yang dinyatakan efektif oleh Bapepam-LK.

In accordance with Bapepam-LK rule regarding Take-Over of Public Companies, the above - mentioned acquisition by HAPH constitutes a take-over of a public listed company which resulted in HAPH having to conduct a tender offer for a maximum of 270,000,000 shares held by the public shareholders representing 10.11% of the total issued and fully paid-up capital of the Bank. The tender offer was conducted with terms and conditions of the Tender Offer Statement which was declared effective by Bapepam-LK.

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22. MODAL SAHAM (lanjutan)

Penawaran tender dilaksanakan sejak tanggal 24 Juni 2009 hingga 23 Juli 2009 dengan harga penawaran tender sebesar Rp 2.652 (dalam Rupiah penuh) per saham. Selama penawaran tender, sebanyak 269.012.500 (dalam nilai penuh) saham ditawarkan untuk dibeli sesuai dengan syarat-syarat dan ketentuan Pernyataan Penawaran Tender.

Penawaran tender yang diwajibkan Bapepam-LK diselesaikan pada tanggal 12 Agustus 2009. Pembayaran kepada pemegang saham dilakukan pada tanggal 4 Agustus 2009. Setelah penyelesaian penawaran tender, HAPH memiliki 2.642.312.500 (dalam nilai penuh) saham di Bank yang mewakili 98,96% dari seluruh modal ditempatkan dan disetor penuh Bank.

Sehubungan dengan privatisasi, HAPH melakukan penawaran tender yang dimulai pada tanggal 2 Juli 2015 dan berakhir pada tanggal 4 Agustus 2015. Melalui penawaran tender, HAPH membeli sebanyak 1.619.000 lembar saham dari Pemegang Saham Publik sebesar Rp 10.000 (dalam Rupiah penuh) per saham. Selanjutnya saham tersebut dijual kepada PT Bank Central Asia Tbk.

Pada bulan November 2015, Bank merubah nilai nominal saham dari Rp 100 (dalam Rupiah penuh) menjadi Rp 1.000 (dalam Rupiah penuh) serta meningkatkan modal dasar dari sebesar Rp 800.000.000.000 (dalam Rupiah penuh) menjadi sebesar Rp 3.000.000.000.000 (dalam Rupiah penuh), dengan modal ditempatkan dan disetor dari sebesar Rp 267.000.000.000 (dalam Rupiah penuh) menjadi sebesar Rp 1.586.394.997.000 (dalam Rupiah penuh). Peningkatan modal tersebut dilakukan dengan menerbitkan saham baru sebanyak 1.319.394.997 (dalam nilai penuh) saham dengan nominal masing-masing saham sebesar Rp 1.000 (dalam Rupiah penuh).

Perubahan modal saham tersebut di atas dituangkan dalam Akta No. 97 tanggal 16 November 2015 yang dibuat di hadapan Dr. Irawan Soerodjo, S.H., M.Si., notaris di Jakarta, mengenai perubahan Anggaran Dasar Bank dan disahkan oleh Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dengan Surat Keputusan No. AHU-0946124.AH.01.02. Tahun 2015 tanggal 17 November 2015.

Lebih lanjut, HSBC Asia Pacific Holdings (UK) Limited, PT Bank Central Asia Tbk dan pemegang saham lainnya melakukan penambahan modal ditempatkan dan disetor sebesar Rp 1.319.395.

Pada bulan November 2016, Bank mengeluarkan saham baru sebanyak 1.000.000.000 lembar saham dengan nominal Rp 1.000 (dalam Rupiah penuh). Penambahan modal ini telah dituangkan dalam Akta No. 64 tanggal 9 November 2016 yang dibuat di hadapan Dr. Irawan Soerodjo, S.H., M.Si., notaris di Jakarta, mengenai perubahan Anggaran Dasar Bank dan disahkan oleh Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dengan Surat Keputusan No. AHU-AH.01.03-0097602 tanggal 10 November 2016. Penambahan modal ini menyebabkan modal ditempatkan dan disetor menjadi Rp 2.586.395.

22. SHARE CAPITAL (continued)

The tender offer was conducted from 24 June 2009 until 23 July 2009 with tender offer price at Rp 2,652 (in Rupiah full amount) per share. During the tender offer, the shares being offered were 269,012,500 (in full amount) shares in accordance with the terms and conditions of the Tender Offer Statement.

The tender offer required by Bapepam-LK was completed on 12 August 2009. The payment to the shareholders was made on 4 August 2009. After completion of the tender offer, HAPH owns 2,642,312,500 (in full amount) shares of the Bank representing 98.96% of the total issued and fully paid-up capital of the Bank.

Related to privatisation, HAPH performed the tender offer which was started on 2 July 2015 and expired on 4 August 2015. Through tender offer, HAPH acquired about 1,619,000 shares from Public Shareholders by Rp 10,000 (in Rupiah full amount) per share. Subsequently, those shares were sold to PT Bank Central Asia Tbk.

In November 2015, Bank amended the par value from Rp 100 (in Rupiah full amount) to Rp 1,000 (in Rupiah full amount) and increased the authorized capital from Rp 800,000,000,000 (in Rupiah full amount) to Rp 3,000,000,000,000 (in Rupiah full amount), with issued and fully-paid up capital from Rp 267,000,000,000 (in Rupiah full amount) to Rp 1,586,394,997,000 (in Rupiah full amount). The increased in shared capital was performed by issuing new shares by 1,319,394,997 (in full amount) shares with par value of Rp 1,000 (in Rupiah full amount).

The above changes of share capital stated in notarial deed No. 97 dated 16 November 2015 of Dr. Irawan Soerodjo, S.H., M.Si., notary public in Jakarta, concerning the changes and restatement of the articles of association and was approved by the Minister of Law and Human Rights of the Republic of Indonesia in the Decision Letter No. AHU-0946124.AH.01.02. Tahun 2015 dated 17 November 2015.

Furthermore, HSBC Asia Pacific Holdings (UK) Limited, PT Bank Central Asia Tbk and other shareholders increased the issued and paid-up capital by Rp 1,319,395.

In November 2016, the Bank issued new shares by 1,000,000,000 shares with nominal value of Rp 1,000 (in Rupiah full amount). The increase of share capital has been stated in notarial deed No. 64 dated 9 November 2016 of Dr. Irawan Soerodjo, S.H., M.Si., notary public in Jakarta, concerning the changes and restatement of the articles of association and was approved by the Minister of Law and Human Rights of the Republic of Indonesia in the Decision Letter No. AHU-AH.01.03-0097602 dated 10 November 2016. This increase caused the share capital become Rp 2,586,395.

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22. MODAL SAHAM (lanjutan)

Pada bulan April 2017, Bank meningkatkan modal dasar dari sebesar Rp 3.000.000.000.000 (dalam Rupiah penuh) menjadi sebesar Rp 20.000.000.000.000 (dalam Rupiah penuh), dengan modal ditempatkan dan disetor dari sebesar Rp 2.586.394.997.000 (dalam Rupiah penuh) menjadi sebesar Rp 10.586.394.997.000 (dalam Rupiah penuh). Peningkatan modal ini dilakukan dengan menerbitkan saham baru sebanyak 8.000.000.000 lembar saham dengan nominal masing-masing saham sebesar Rp 1.000 (dalam Rupiah penuh).

Perubahan modal saham tersebut di atas dituangkan dalam Akta No. 57 tanggal 12 April 2017 yang dibuat di hadapan Dr. Irawan Soerodjo, S.H., M.Si., notaris di Jakarta, mengenai perubahan Anggaran Dasar Bank yang disahkan oleh Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dengan Surat Keputusan No. AHU-0008618.AH.01.02. Tahun 2017 tanggal 13 April 2017.

Komposisi pemegang saham Bank pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

	Jumlah saham/ Number of shares	Persentase kepemilikan/ Percentage of Ownership	Jumlah modal disetor dengan nilai nominal Rp 1.000 (dalam Rupiah penuh) per saham/ Total paid-up capital at nominal value of Rp 1,000 (in Rupiah full amount) per share	
HSBC Asia Pacific Holdings (UK) Limited	10.473.719.274	98,94%	10.473.719	HSBC Asia Pacific Holdings (UK) Limited
PT Bank Central Asia Tbk	112.653.737	1,06%	112.654	PT Bank Central Asia Tbk
Lainnya	21.986	0,00%	22	Others
Jumlah	<u>10.586.394.997</u>	<u>100,00%</u>	<u>10.586.395</u>	Total

22. SHARE CAPITAL (continued)

In April 2017, the Bank increased the authorized capital from Rp 3,000,000,000,000 (in Rupiah full amount) to Rp 20,000,000,000,000 (in Rupiah full amount), with issued and fully paid-up capital from Rp 2,586,394,997,000 (in Rupiah full amount) to Rp 10,586,394,997,000 in Rupiah full amount). The increased in share capital was performed by issuing new shares by 8,000,000,000 shares with par value of Rp 1,000 (in Rupiah full amount).

The above changes of share capital stated in notarial deed No. 57 dated 12 April 2017 of Dr. Irawan Soerodjo, S.H., M.Si., notary public in Jakarta, concerning the changes and restatement of articles of association and was approved by the Minister of Law and Human Rights of the Republic of Indonesia in the decision Letter No. AHU-0008618.AH.01.02. Year 2017 dated 13 April 2017.

The composition of the Bank's shareholders as of 31 December 2018 and 2017 was as follows:

23. TAMBAHAN MODAL DISETOR – BERSIH

Bank melakukan penawaran umum perdana atas 270.000.000 lembar saham Bank kepada masyarakat pada tanggal 8 Januari 2008 dengan nilai nominal Rp 100 (dalam Rupiah penuh) per saham dengan harga penawaran sebesar Rp 1.080 (dalam Rupiah penuh) per saham. Jumlah yang diterima dari penawaran umum adalah sebesar Rp 291.600.

Rincian tambahan modal disetor - bersih dari penawaran umum perdana saham Bank per tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

Jumlah yang diterima dari penerbitan 270.000.000 lembar saham	291.600
Jumlah yang dicatat sebagai modal disetor	<u>(27.000)</u>
	264.600
Beban emisi saham	<u>(6.990)</u>
Jumlah yang dicatat sebagai tambahan modal disetor	<u><u>257.610</u></u>

23. ADDITIONAL PAID-IN CAPITAL – NET

The Bank issued 270,000,000 shares with par value of Rp 100 (in Rupiah full amount) per share, through initial public offering on 8 January 2008 with offering price of Rp 1,080 (in Rupiah full amount) per share. Total proceeds from the public offering amounted to Rp 291,600.

Details of additional paid-in capital - net from initial public offering as at 31 December 2018 and 2017 were as follows:

<i>Proceeds from the issuance of 270,000,000 shares</i>
<i>Amount recorded as paid-in capital</i>
<i>Share issuance costs</i>
<i>Amount recorded as additional paid-in capital</i>

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24. CADANGAN UMUM DAN WAJIB

Cadangan umum dan wajib dibentuk sesuai dengan Undang-Undang Republik Indonesia No. 1/1995 sebagaimana telah diubah dengan Undang-Undang No. 40/2007 tentang Perseroan Terbatas yang berlaku efektif sejak 16 Agustus 2007 yang mengharuskan Perseroan membentuk cadangan umum dengan jumlah minimum 20% dari modal saham yang ditempatkan dan disetor. Tidak ada batas waktu dalam pembentukan cadangan ini. Pada tanggal 31 Desember 2018 saldo cadangan umum adalah Rp 17.361 (2017: Rp 3.648).

Berdasarkan Rapat Umum Pemegang Saham Tahunan Bank yang dinyatakan dalam Surat Keterangan dari Notaris Dr. Irawan Soerodjo, S.H., M.Si., Nomor 162/SI.Not/III/2017 tanggal 16 Maret 2017, para pemegang saham Bank menyetujui pembentukan cadangan umum sebesar Rp 250 dari saldo laba tahun 2016.

Berdasarkan Rapat Umum Pemegang Saham Tahunan Bank yang dinyatakan dalam Akta dari Notaris Dr. Irawan Soerodjo, S.H., M.Si., Nomor 70 tanggal 16 Mei 2018, para pemegang saham Bank menyetujui pembentukan cadangan umum sebesar Rp 13.713 dari saldo laba tahun 2017.

25. ASET KEUANGAN DAN LIABILITAS KEUANGAN

Pada tabel di bawah ini, instrumen keuangan telah dikelompokkan berdasarkan klasifikasi masing-masing. Kebijakan akuntansi yang penting di Catatan 3a menjelaskan bagaimana kategori aset keuangan dan liabilitas keuangan tersebut diukur dan bagaimana pendapatan dan beban, termasuk laba dan rugi atas nilai wajar (perubahan nilai wajar instrumen keuangan), diakui.

Aset keuangan telah dikelompokkan ke dalam aset keuangan yang diperdagangkan, pinjaman yang diberikan dan piutang serta aset keuangan yang tersedia untuk dijual. Sama halnya dengan aset keuangan, tiap kategori liabilitas keuangan telah dikelompokkan ke dalam liabilitas keuangan yang diperdagangkan dan liabilitas keuangan yang dicatat pada biaya perolehan diamortisasi lainnya.

Nilai wajar yang diungkapkan di bawah ini adalah berdasarkan informasi relevan yang tersedia pada tanggal laporan posisi keuangan dan tidak diperbaharui untuk mencerminkan perubahan dalam kondisi pasar yang terjadi setelah tanggal laporan posisi keuangan.

24. GENERAL AND LEGAL RESERVES

The general and legal reserve was provided in relation with the Law of Republic Indonesia No. 1/1995 which has been replaced with the Law No. 40/2007 effective on 16 August 2007 regarding the Limited Liability Company which requires a Company to set up a general reserve amounting to at least 20% of the issued and paid up share capital. There is no timeline over which this amount should be provided. As at 31 December 2018, the amount of general reserves is Rp 17,361 (2017: Rp 3,648).

Based on the Annual General Meeting of the Bank's Shareholders as stated in reference letter No. 162/SI.Not/III/2017 dated 16 March 2017 of Dr. Irawan Soerodjo, S.H., M.Si., notary public in Jakarta, the shareholders approved the appropriation of the Bank's 2016 retained earnings amounting to Rp 250.

Based on the Annual General Meeting of the Bank's Shareholders as stated in Notarial Deed No. 70 dated 16 May 2018 of Dr. Irawan Soerodjo, S.H., M.Si., notary public in Jakarta, the shareholders approved the appropriation of the Bank's 2017 retained earnings amounting to Rp 13,713.

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In the below table, financial instruments have been allocated based on their classification. The significant accounting policies in Note 3a describe how the categories of the financial assets and financial liabilities are measured and how income and expenses, including fair value gains and losses (changes in fair value of financial instruments), are recognised.

Financial asset classes have been allocated into trading, loans and receivables, and available-for-sale. Similarly, each class of financial liability has been allocated into trading and other amortised cost.

The fair values are based on relevant information available as at the statement of financial position date and have not been updated to reflect changes in market condition after the statement of financial position date.

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25. ASET KEUANGAN DAN LIABILITAS KEUANGAN
(lanjutan)

Tabel di bawah menyajikan nilai tercatat dan nilai wajar aset dan liabilitas keuangan Bank pada tanggal 31 Desember 2018 dan 2017.

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

The table below sets out the carrying amount and fair values of the Bank's financial assets and liabilities as of 31 December 2018 and 2017.

2018						
	Diperdagangkan/ Trading	Pinjaman yang diberikan dan piutang/ Loans and receivables	Tersedia untuk dijual/ Available-for-sale	Biaya perolehan diamortisasi lainnya/ Other amortised cost	Jumlah nilai tercatat/ Total carrying amount	Nilai wajar/ Fair value
Aset keuangan						Financial assets
Kas	-	654.061	-	-	654.061	Cash
Giro pada Bank Indonesia	-	7.777.923	-	-	7.777.923	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	-	1.996.602	-	-	1.996.602	Demand deposits with other banks
Penempatan pada Bank Indonesia	-	349.898	-	-	349.898	Placements with Bank Indonesia
Penempatan pada bank-bank lain	-	7.507.532	-	-	7.507.532	Placements with other banks
Efek-efek untuk tujuan investasi	-	-	12.599.817	-	12.599.817	Investment securities
Aset keuangan dalam kelompok diperdagangkan	2.903.759	-	-	-	2.903.759	Financial assets held for trading
Tagihan derivatif	541.882	-	-	-	541.882	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	1.093.927	-	-	1.093.927	Securities purchased with agreement to resell
Wesel Ekspor	-	1.081.959	-	-	1.081.959	Export Bills
Tagihan akseptasi	-	2.405.640	-	-	2.405.640	Acceptance receivables
Kredit yang diberikan kepada nasabah-bersih	-	66.343.972	-	-	66.343.972	Loans to customers-net
Aset lain-lain - pendapatan yang masih akan diterima	-	550.708	-	-	550.708	Other assets - accrued income
Jumlah	3.445.641	89.762.222	12.599.817	-	105.807.680	105.823.799
Liabilitas keuangan						Financial liabilities
Simpanan dari nasabah	-	-	-	(54.906.968)	(54.906.968)	Deposits from customers
Simpanan dari bank-bank lain	-	-	-	(8.776.773)	(8.776.773)	Deposits from other banks
Liabilitas derivatif	(824.198)	-	-	-	(824.198)	Derivative payables
Utang akseptasi	-	-	-	(2.405.640)	(2.405.640)	Acceptance payables
Efek-efek yang dijual dengan janji dibeli kembali	-	-	-	(1.454.081)	(1.454.081)	Securities sold with agreement to repurchase
Beban akrual dan provisi	-	-	-	(130.042)	(130.042)	Accruals and provisions
Liabilitas lain-lain ¹⁾	-	-	-	(740.475)	(740.475)	Other liabilities ¹⁾
Pinjaman yang diterima	-	-	-	(19.973.820)	(19.973.820)	Borrowings
Pinjaman subordinasi	-	-	-	(1.078.500)	(1.078.500)	Subordinated debt
Jumlah	(824.198)	-	-	(89.466.299)	(90.290.497)	(90.290.508)

¹⁾ Liabilitas lain-lain pada tabel ini telah mengeluarkan komponen liabilitas lain-lain non-keuangan

Other liabilities in this table have excluded ¹⁾ non-financial other liabilities component

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Tabel di bawah menyajikan nilai tercatat dan nilai wajar aset dan liabilitas keuangan Bank pada tanggal 31 Desember 2018 dan 2017. (lanjutan)

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The table below sets out the carrying amount and fair values of the Bank's financial assets and liabilities as of 31 December 2018 and 2017. (continued)

2017						
	Diperdagangkan/ Trading	Pinjaman yang diberikan dan piutang/ Loans and receivables	Tersedia untuk dijual/ Available-for-sale	Biaya perolehan diamortisasi lainnya/ Other amortised cost	Jumlah nilai tercatat/ Total carrying amount	Nilai wajar/ Fair value
Aset keuangan						Financial assets
Kas	-	581.541	-	-	581.541	581.541
Giro pada Bank Indonesia	-	6.755.215	-	-	6.755.215	6.755.215
Giro pada bank-bank lain	-	1.866.023	-	-	1.866.023	1.866.023
Penempatan pada Bank Indonesia	-	1.249.637	-	-	1.249.637	1.249.637
Penempatan pada bank-bank lain	-	6.353.055	-	-	6.353.055	6.353.055
Efek-efek untuk tujuan investasi	-	-	13.703.861	-	13.703.861	13.703.861
Aset keuangan dalam kelompok diperdagangkan	5.153.632	-	-	-	5.153.632	5.153.632
Tagihan derivatif	189.255	-	-	-	189.255	189.255
Efek-efek yang dibeli dengan janji dijual kembali	-	500.000	-	-	500.000	505.849
Wesel Ekspor	-	1.218.778	-	-	1.218.778	1.218.778
Tagihan akseptasi	-	1.827.734	-	-	1.827.734	1.827.734
Kredit yang diberikan kepada nasabah-bersih	-	57.951.447	-	-	57.951.447	58.029.467
Aset lain-lain - pendapatan yang masih akan diterima ¹⁾	-	531.630	-	-	531.630	531.630
Jumlah	5.342.887	78.835.060	13.703.861	-	97.881.808	97.965.677
Liabilitas keuangan						Financial liabilities
Simpanan dari nasabah	-	-	-	(56.932.673)	(56.932.673)	(56.932.673)
Simpanan dari bank-bank lain	-	-	-	(8.577.319)	(8.577.319)	(8.577.319)
Liabilitas derivatif	(527.037)	-	-	-	(527.037)	(527.037)
Utang akseptasi	-	-	-	(1.827.734)	(1.827.734)	(1.827.734)
Beban akrual dan provisi	-	-	-	(88.974)	(88.974)	(88.974)
Liabilitas lain-lain ¹⁾	-	-	-	(639.745)	(639.745)	(639.745)
Pinjaman yang diterima	-	-	-	(13.363.988)	(13.363.988)	(13.363.988)
Pinjaman subordinasi	-	-	-	(1.017.563)	(1.017.563)	(1.017.563)
Jumlah	(527.037)	-	-	(82.447.996)	(82.975.033)	(82.975.033)

¹⁾ Aset lain-lain pada tabel ini telah mengeluarkan komponen aset lain-lain non-keuangan

Other assets in this table have excluded¹⁾ non-financial other assets component

²⁾ Liabilitas lain-lain pada tabel ini telah mengeluarkan komponen liabilitas lain-lain non-keuangan

Other liabilities in this table have excluded²⁾ non-financial other liabilities component

Nilai wajar aset dan liabilitas yang diperdagangkan dan efek-efek untuk tujuan investasi pada tanggal 31 Desember 2018 dan 2017 adalah berdasarkan harga kuotasi pasar dan teknik penilaian seperti yang dijelaskan dalam Catatan 5b.1.

The fair value of trading assets and liabilities and investment securities as of 31 December 2018 and 2017 were based on quoted market prices and valuation techniques as explained in Note 5b.1.

Nilai wajar kredit yang diberikan kepada nasabah, pinjaman yang diterima, dan pinjaman subordinasi yang mempunyai risiko nilai wajar ditentukan menggunakan metode diskonto arus kas berdasarkan tingkat suku bunga pasar pada tanggal 31 Desember 2018 dan 2017.

The fair value of loans to customers, borrowings, and subordinated debt with fair value risk was determined by discounted cash flows method using market interest rates as of 31 December 2018 and 2017.

Nilai wajar aset dan liabilitas keuangan selain yang disebutkan di atas mendekati nilai tercatatnya karena memiliki jangka waktu yang pendek dan/atau suku bunganya sering ditinjau ulang.

The fair value of financial assets and liabilities other than those mentioned in the above approximated to the carrying amount because they are short term in nature, and/or the interest rates are reprised frequently.

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25. ASET KEUANGAN DAN LIABILITAS KEUANGAN
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Saling hapus

Pada 31 Desember 2018 dan 2017, tidak terdapat aset dan liabilitas keuangan yang saling hapus pada laporan posisi keuangan.

Bank memiliki kredit yang diberikan yang dijamin dengan jaminan tunai (Catatan 14j), yang menjadi subyek untuk memenuhi *netting arrangements* dan perjanjian serupa, yang tidak saling hapus pada laporan posisi keuangan.

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Offsetting

As at 31 December 2018 and 2017, there is no financial assets and liabilities that are subject to offsetting in the statement of financial position.

The Bank has loans collateralised by cash collateral (Note 14j), which are subject to enforceable netting arrangements and similar agreements that are not set off in the statement of financial position.

26. PENDAPATAN BUNGA BERSIH

26. NET INTEREST INCOME

	2018	2017	
Pendapatan bunga			Interest income
Kredit yang diberikan kepada nasabah	4.565.863	4.114.792	Loans to customers
Efek-efek untuk tujuan investasi	999.251	706.573	Investment securities
Efek-efek yang dibeli dengan janji dijual kembali	131.990	91.886	Securities purchased with agreement to resell
Penempatan pada Bank Indonesia	61.410	73.906	Placements with Bank Indonesia
Kredit yang diberikan dan penempatan pada bank	22.129	9.212	Loans and advances to banks
Giro pada Bank Indonesia	14.216	927	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	420	497	Demand deposits with other banks
Lain-lain	181.001	52.641	Others
Jumlah	5.976.280	5.050.434	Subtotal
Beban bunga			Interest expenses
Simpanan			Deposits
Deposito berjangka dan deposits on call	(831.451)	(862.014)	Time deposits and deposits on call
Giro	(371.707)	(191.483)	Demand deposits
Tabungan	(68.899)	(97.005)	Saving accounts
Pinjaman yang diterima dan pinjaman subordinasi	(498.799)	(221.915)	Borrowings and subordinated debt
Simpanan dari bank lain	(23.341)	(23.366)	Deposit from other banks
Lainnya	(2.420)	(1.633)	Others
Jumlah	(1.796.617)	(1.397.416)	Subtotal
Pendapatan bunga bersih	4.179.663	3.653.018	Net interest income

27. PENDAPATAN PROVISI DAN KOMISI BERSIH

27. NET FEES AND COMMISSIONS INCOME

	2018	2017	
Pendapatan provisi dan komisi			Fees and commissions income
Kartu kredit	566.497	379.658	Credit cards
Asuransi	238.435	147.285	Insurance
Unit trusts	223.530	151.027	Unit trusts
Ekspor/impor	170.907	130.351	Export/import
Jasa kustodian	144.958	108.136	Custodial services
Fasilitas kredit	135.781	134.851	Credit facilities
Remittance	66.425	48.557	Remittances
Account services	39.795	33.911	Account services
Lain-lain	335.599	284.763	Others
Jumlah	1.921.927	1.418.539	Subtotal
Beban provisi dan komisi			Fees and commissions expenses
Kartu kredit	(331.128)	(224.086)	Credit card
Scripless kustodian	(35.876)	(25.624)	Scripless custodian
Remittance	(2.331)	(543)	Remittance
Lain-lain	(151.307)	(104.452)	Others
Jumlah	(520.642)	(354.705)	Subtotal
Pendapatan provisi dan komisi bersih	1.401.285	1.063.834	Net fees and commissions income

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28. PENDAPATAN INSTRUMEN DIPERDAGANGKAN - BERSIH	YANG	28. TRADING INCOME - NET	
	2018	2017	
Instrumen derivatif	648.785	428.598	Derivative instruments
Instrumen keuangan pendapatan tetap	289.930	246.268	Fixed income instruments
Jumlah	938.715	674.866	Total
29. KERUGIAN PENURUNAN NILAI ASET KEUANGAN - BERSIH	2018	2017	29. IMPAIRMENT LOSSES ON FINANCIAL ASSETS – NET
Kredit yang diberikan kepada nasabah	1.364.423	792.773	Loans to customers
Komitmen dan kontinjensi	(48.466)	40.585	Commitment and contingencies
Jumlah	1.315.957	833.358	Total
30. BEBAN KARYAWAN	2018	2017	30. EMPLOYEES EXPENSES
Gaji dan bonus	1.217.238	997.254	Salaries and bonuses
Tunjangan	314.920	235.665	Allowance
Pelatihan	76.597	65.980	Training
Imbalan pasca-kerja (Catatan 21)	52.446	(65.045)	Post-employment benefits obligation (Note 21)
Tunjangan terkait pemutusan hubungan kerja	3.485	19.663	Termination benefit
Lain-lain	212.057	376.183	Others
Jumlah	1.876.743	1.629.700	Total
31. BEBAN UMUM DAN ADMINISTRASI	2018	2017	31. GENERAL AND ADMINISTRATIVE EXPENSES
Komunikasi, listrik dan air	534.310	365.605	Communication and utilities
Sewa	273.108	220.715	Rent
Jasa profesional	113.783	117.574	Professional fees
Iklan dan promosi	102.884	155.939	Advertising and promotion
Pemeliharaan dan perbaikan	63.519	85.071	Repair and maintenance
Pungutan tahunan OJK perbankan	49.195	44.668	Bank annual FSA levy
Kebersihan dan keamanan	45.809	38.949	Security and cleaning
Alat tulis dan barang cetakan	25.054	21.855	Stationery and office supplies
Asuransi	23.966	24.037	Insurance
Perjalanan dinas	18.259	28.506	Travelling
Representasi	4.933	5.103	Representation
Jasa layanan kas	3.661	6.977	Cash service
Langganan/keanggotaan	1.814	2.342	Customer services/membership
Lain-lain	544.624	132.313	Others
Jumlah	1.804.919	1.249.654	
Termasuk di dalam beban umum dan administrasi lain-lain adalah beban yang berkaitan dengan Surat Ketetapan Pajak Kurang Bayar (SKPKB) masa April 2017 dan penaltinya sebesar Rp 428.673 (Catatan 32n).			Included in general and administrative expenses – other is expenses related with Value Added Tax Underpayment Assessment period April 2017 and its penalty amounted to Rp 428,673 (Note 32n).
32. PERPAJAKAN	2018	2017	32. TAXATION
a. Pajak dibayar dimuka terdiri dari:			a. Prepaid taxes consist of:
Pajak dibayar di muka sehubungan dengan pajak penghasilan badan yang lebih dibayar tahun 2017	481.348	481.348	Prepaid tax in relation with 2017 overpayment corporate income tax
Pajak dibayar di muka sehubungan dengan pemeriksaan pajak (Catatan 32i - 32o)	166.804	15.112	Prepaid tax in relation with tax audit assessment (Note 32i - 32o)
	648.152	496.460	

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32. PERPAJAKAN (lanjutan)

32. TAXATION (continued)

b. Utang pajak penghasilan terdiri dari:

b. Income taxes payable consist of:

	2018	2017	
Pajak penghasilan badan	1.220	-	Corporate income tax
Utang pajak lainnya disajikan dalam liabilitas lain-lain pada Catatan 19.			Other tax liabilities presented in other liabilities in Note 19.

c. Beban pajak terdiri dari:

c. Tax expense consisted of the following:

	2018	2017	
Pajak kini	453.766	143.790	Current tax
Pajak tangguhan:			Deferred tax:
Pembentukan dan pemulihan dari perbedaan temporer	(82.707)	3.013	Origination and reversal of temporary differences
Surat Ketetapan Pajak	105	31	Tax Assessment Letter
Jumlah	371.164	146.834	Total

d. Sesuai dengan peraturan perpajakan di Indonesia, Bank menghitung dan melaporkan/menyetorkan pajak berdasarkan sistem *self-assessment*. Fiskus dapat menetapkan/mengubah pajak-pajak tersebut dalam jangka waktu tertentu sesuai peraturan yang berlaku.

d. Under the Indonesian taxation laws, the Bank submits tax returns on a self-assessment basis. The tax authorities may assess/amend taxes within the statute of limitations under prevailing regulations.

e. Rekonsiliasi antara laba sebelum pajak menurut laporan laba rugi komprehensif dengan laba kena pajak adalah sebagai berikut:

e. The reconciliation between profit before tax per statement of comprehensive income and taxable income was as follows:

	2018	2017	
Laba sebelum pajak	1.265.704	1.518.134	Profit before tax
Perbedaan temporer:			Temporary differences:
Liabilitas imbalan kerja jangka pendek	(149.375)	125.965	Short-term employee benefits obligation
Penyisihan kerugian penurunan nilai aset keuangan	424.929	(759.255)	Allowance for impairment losses from financial assets
Beban imbalan pasca-kerja dan imbalan kerja lainnya	17.210	(272.360)	Post-employment and other benefits expense
Penyusutan aset tetap dan amortisasi aset takberwujud	(26.003)	(180.401)	Depreciation of fixed assets and amortisation of intangible assets
Lain-lain	64.069	18.168	Others
	330.830	(1.067.883)	
Perbedaan permanen:			Permanent differences:
Rugi atas penerimaan yang sudah dikenakan penghasilan final	(116)	106	Loss related to proceed subject to final income tax
Penyusutan kendaraan non-operasional	1.324	48.202	Depreciation of non-operational vehicles
Representasi, sumbangan dan denda	202.682	44.831	Representation, donations and penalties
Lain-lain	14.641	31.767	Others
	218.531	124.906	
Laba kena pajak	1.815.065	575.157	Taxable income
Beban pajak kini	453.766	143.790	Current tax expense
Pajak dibayar dimuka	(452.546)	(625.138)	Prepaid tax
Pajak penghasilan badan terutang/(dibayar dimuka)	1.220	(481.348)	Corporate income tax payable/(prepaid tax)

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32. PERPAJAKAN (lanjutan)

- f. Rekonsiliasi antara beban pajak dan hasil perkalian laba akuntansi sebelum pajak dengan tarif pajak yang berlaku adalah sebagai berikut:

	2018	2017	
Laba sebelum pajak	1.265.704	1.518.134	Income before tax
Tarif pajak yang berlaku	25%	25%	Statutory tax rate
	316.426	379.534	
Penyesuaian pajak tangguhan	-	(263.957)	Adjustment on deferred tax
Perbedaan permanen dengan tarif pajak 25%	54.633	31.226	Permanent differences at 25% rate
Surat Ketetapan Pajak	105	31	Tax Assessment Letter
Jumlah beban pajak	371.164	146.834	Total tax expense

Dalam laporan keuangan ini jumlah penghasilan kena pajak didasarkan atas perhitungan sementara karena Bank belum menyampaikan surat pemberitahuan tahunan pajak penghasilan badan.

In these financial statements, the amount of Bank's taxable income is based on preliminary calculations as the Bank has not yet submitted its corporate income tax returns.

- g. Rincian dari aset pajak tangguhan bersih Bank adalah sebagai berikut:

- g. The details of the Bank's net deferred tax assets were as follows:

	31 Desember/ December 2017	Diakui pada laba rugi tahun berjalan/ Recognised in current year profit or loss	Diakui pada penghasilan komprehensif lain/ Recognised in other comprehensive income	31 Desember/ December 2018	
Aset pajak tangguhan:					Deferred tax assets:
Penyisihan kerugian penurunan nilai aset keuangan	41.596	106.232	-	147.828	Allowance for impairment losses on financial assets
Penyusutan aset tetap dan amortisasi aset tak berwujud	(51.123)	(6.501)	-	(57.624)	Depreciation of fixed assets and amortisation of intangible assets
Beban imbalan pasca-kerja dan imbalan kerja lainnya	185.026	(33.041)	(4.424)	147.561	Post-employment and other benefits
Rugi belum direalisasi dari perubahan nilai wajar efek-efek untuk tujuan investasi	(17.917)	-	38.897	20.980	Unrealised loss from changes in fair value of investment securities
Lain-lain	4.543	16.017	-	20.560	Others
Aset pajak tangguhan - bersih	162.125	82.707	34.473	279.305	Deferred tax assets - net

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32. PERPAJAKAN (lanjutan)

32. TAXATION (continued)

- g. Rincian dari aset pajak tangguhan bersih Bank adalah sebagai berikut: (lanjutan)

- g. The details of the Bank's net deferred tax assets were as follows: (continued)

	31 Desember/ December 2016	Transfer dari IMO/ Transfer from IMO	Diakui pada laba rugi tahun berjalan/ Recognised in current year profit or loss	Diakui pada penghasilan komprehensif lain/ Recognised in other comprehensive income	31 Desember/ December 2017	
Aset pajak tangguhan:						Deferred tax assets:
Penyisihan kerugian penurunan nilai aset keuangan	(35.951)	-	77.547	-	41.596	Allowance for impairment losses on financial assets
Penyusutan aset tetap dan amortisasi aset tak berwujud	7.688	-	(58.811)	-	(51.123)	Depreciation of fixed assets and amortisation of intangible assets
Liabilitas imbalan pasca-kerja dan provisi bonus	100.023	100.605	(26.292)	10.690	185.026	Post-employment benefit and bonus provision
Rugi belum direalisasi dari perubahan nilai wajar efek-efek untuk tujuan investasi	(2.328)	(18.103)	-	2.514	(17.917)	Unrealised loss from changes in fair value of investment securities
Lain-lain	-	(3.810)	4.543	3.810	4.543	Others
Aset pajak tangguhan - bersih	<u>69.432</u>	<u>78.692</u>	<u>(3.013)</u>	<u>17.014</u>	<u>162.125</u>	Deferred tax assets - net

- h. Manajemen berpendapat bahwa aset pajak tangguhan yang timbul dari perbedaan temporer kemungkinan besar dapat direalisasi pada tahun-tahun mendatang.

- h. The management believes that total deferred tax assets arising from temporary differences are probable to be realised in the future years.

- i. Bank menerima Surat Ketetapan Pajak Kurang Bayar (SKPKB) tertanggal 10 Desember 2015 atas PPh Badan tahun pajak 2010 dari Kantor Pelayanan Pajak Wajib Pajak Besar Satu (KPP WPB I) sebesar Rp 9.735 dan telah melakukan pembayaran sebagian sebesar Rp 311 yang dicatat sebagai pajak dibayar di muka. Sehubungan dengan ini, Bank mengajukan keberatan pada tanggal 8 Maret 2016.

- i. Bank received Tax Underpayment Assessment Letter (SKPKB) for Corporate Income Tax dated 10 December 2015 from Large Tax payer Office One (LTO I), amounting to Rp 9,735 and already made partial payment amounting to Rp 311 which recorded as prepaid tax. With this regards, the Bank submitted an objection letter on 8 March 2016.

Pada tanggal 10 Februari 2017, Direktur Jenderal Pajak menerbitkan Keputusan Keberatan atas keberatan Bank atas SKPKB PPh Badan tahun pajak 2010 sebesar Rp 9.735 yang menolak keberatan wajib pajak dan menyetujui hanya sebesar Rp 3 dari Rp 9.735. Atas Keputusan Keberatan tersebut pada tanggal 8 Mei 2017 Bank telah mengajukan permohonan banding.

On 10 February 2017, the Director General of Tax has issued Tax Objection Decision on the Bank's objection on 2010 Corporate Income Tax SKPKB of Rp 9,735 which rejected Bank's objection and agreed only Rp 3 out of total obligation of Rp 9,735. The Bank has submitted an appeal to the Tax Court on 8 May 2017.

Pada tanggal 30 Juli 2018, Bank menerima keputusan Pengadilan Pajak tentang permohonan banding yang menerima seluruhnya banding atas Keputusan Keberatan atas Surat Ketetapan Pajak Kurang Bayar Pajak Penghasilan Badan sebesar Rp 9.735 untuk tahun fiskal 2010.

On 30 July 2018, the Bank has received Appeal Decision from Tax Court which accepts the appeal on Objection Decision on Corporate Income Tax Assessment Letter of Rp 9,735 for fiscal year 2010.

Direktorat Jenderal Pajak telah menyampaikan permohonan Peninjauan Kembali ke Mahkamah Agung atas putusan Banding di atas. Sampai saat ini, Bank belum menerima Putusan Mahkamah Agung atas permohonan Peninjauan Kembali ini.

The Directorate General of Taxes has submitted the judicial review to Supreme Court on this Tax Court Decision. Until now, the Bank has no yet received the decision of this judicial review.

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32. PERPAJAKAN (lanjutan)

- j. Pada tanggal 29 November 2017, Bank menerima SKPKB Pajak Penghasilan Badan, PPh 21, 23/26 dan PPN sebesar Rp 6.362 sebagai hasil pemeriksaan pajak tahun 2012 dari KPP WPB I. Bank telah mengajukan surat keberatan ke Direktur Jenderal Pajak atas SKPKB tersebut sebesar Rp 6.182 pada tanggal 28 Februari 2018 dan seluruh kurang bayar tersebut telah dilunasi dan dicatat sebagai pajak dibayar di muka. Sebagian keberatan sebesar Rp 933 ditolak dan telah dicatat sebagai biaya Bank tahun 2018 dan Rp 74 dicatat sebagai biaya Bank di tahun 2019.

Pada tanggal 25 Januari 2019, Direktur Jenderal Pajak menerbitkan Keputusan Keberatan atas keberatan Bank atas SKPKB PPh Badan tahun pajak 2012 yang mengabulkan sebagian permohonan keberatan sebesar Rp 4.987 sehingga jumlah pajak yang masih harus dibayar yang semula sebesar Rp 5.272 menjadi Rp 286.

- k. Pada tanggal 18 Desember 2017, Bank menerima SKPKB Pajak Penghasilan Badan, PPh 21 dan 4 (2) sebesar Rp 8.750 sebagai hasil pemeriksaan pajak tahun 2013 dari KPP WPB I. Bank telah mengajukan surat keberatan ke Direktur Jenderal Pajak atas SKBKB tersebut sebesar Rp 8.617 pada tanggal 6 Maret 2018 dan seluruh kurang bayar tersebut telah dilunasi dan dicatat sebagai pajak dibayar di muka.

Pada tanggal 25 Januari 2019, Direktur Jenderal Pajak menerbitkan Keputusan Keberatan atas keberatan Bank atas SKPKB PPh Badan tahun pajak 2013 yang mengabulkan sebagian permohonan keberatan sebesar Rp 7.843 sehingga jumlah pajak yang masih harus dibayar yang semula sebesar Rp 8.634 menjadi Rp 791.

- l. Pada tanggal 11 July 2018, Bank menerima SKPKB Pajak Penghasilan Badan, PPh 21, 23/26, 4 (2) dan PPN sebesar Rp 75.056 sebagai hasil pemeriksaan pajak tahun 2014 dari KPP WPB I. Bank telah mengajukan surat keberatan ke Direktur Jenderal Pajak atas SKPKB tersebut sebesar Rp 74.310 pada tanggal 9 Oktober 2018 dan sebagian kurang bayar tersebut telah dilunasi dan dicatat sebagai pajak dibayar di muka sebesar Rp 58.939.
- m. Pada tanggal 01 November 2018, Bank menerima SKPKB Pajak Penghasilan Badan, PPh 21, 4 (2) dan PPN sebesar Rp 94.077 sebagai hasil pemeriksaan pajak tahun 2015 dari KPP WPB I. Bank telah mengajukan surat keberatan ke Direktur Jenderal Pajak atas SKPKB tersebut sebesar Rp 93.926 pada tanggal 28 Januari 2019 dan seluruh kurang bayar tersebut telah dilunasi dan dicatat sebagai pajak dibayar di muka.
- n. Pada tanggal 24 November 2017, Bank menerima SKPKB Pajak Pertambahan Nilai (PPN) sebesar Rp 2.300.901 untuk masa pajak April 2017 dari KPP WPB I. Bank belum melakukan pembayaran SKPKB PPN tersebut dan telah mengajukan surat keberatan pada tanggal 23 Februari 2018.

32. TAXATION (continued)

- j. On 29 November 2017, the Bank has received SKPKB for Corporate Income Tax, Art. 21, 23/26 Income Tax and VAT of Rp 6,362 as the result of 2012 Tax audit from LTO I. The Bank has submitted objection letter on the SKPKB amounting to Rp 6,182 on 28 February 2018 to Director General of Tax and all tax underpayment has been fully paid and recorded as prepaid tax. Partial objection amounted to Rp 933 was denied and recorded as expense in 2018 and amounted to Rp 74 in 2019 by the Bank.

On 25 January 2019, the Director General of Tax has issued Tax Objection Decision on the Bank's objection on 2012 Corporate Income Tax SKPKB which partially accepted Bank's objection amounting to Rp 4,987 so the tax underpayment which was originally Rp 5,272 becomes Rp 286.

- k. On 18 December 2017, the Bank has received SKPKB on Corporate Income Tax, Art. 21 and 4 (2) Income Tax of Rp 8,750 as the result of 2013 Tax audit from LTO I. The Bank has submitted objection letter on the SKPKB amounting to Rp 8,617 on 6 March 2018 to Director General of Tax and all tax underpayment has been fully paid and recorded as prepaid tax.

On 25 January 2019, the Director General of Tax has issued Tax Objection Decision on the Bank's objection on 2013 Corporate Income Tax SKPKB which partially accepted the Bank's objection amounting to Rp 7,843 so the tax underpayment which was originally Rp 8,634 becomes Rp 791.

- l. On 11 July 2018, the Bank has received SKPKB for Corporate Income Tax, Art. 21, 23/26 Income Tax and VAT of Rp 75,056 as the result of 2014 Tax audit from LTO I. The Bank has submitted objection letter on the SKPKB amounting to Rp 74,310 on 9 October 2018 to Director General of Tax and Part of tax underpayment which has been paid and recorded as prepaid tax is amounting to Rp 58,939.
- m. On 01 November 2018, the Bank has received SKPKB on Corporate Income Tax, Art. 21, 4(2) Income Tax and VAT of Rp 94,077 as the result of 2015 Tax audit from LTO I. The Bank has submitted objection letter on the SKPKB amounting to Rp 93,926 on 28 January 2019 to Director General of Tax and all tax underpayment has been fully paid and recorded as prepaid tax.
- n. On 24 November 2017, the Bank has received SKPKB for VAT amounting to Rp 2,300,901 for April 2017 fiscal period from LTO I. The Bank has not made any payment on the VAT underpayment assessment and has submitted tax objection letter on 23 February 2018.

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32. PERPAJAKAN (lanjutan)

Pada tanggal 28 Desember 2018 Direktur Jenderal Pajak menerbitkan Keputusan Keberatan atas keberatan Bank atas SKPKB PPN masa April 2017 yang mengabulkan sebagian permohonan keberatan sebesar Rp 2.016.138 sehingga jumlah pajak yang masih harus dibayar yang semula sebesar Rp 2.300.901 menjadi Rp 284.773 dan telah dibayar pada 28 Desember 2018.

- o. Sehubungan dengan integrasi usaha, pada tanggal 21 Agustus 2017 Bank telah mengajukan permohonan persetujuan penggunaan nilai buku atas pengalihan harta dalam rangka pengambilalihan usaha. Pada tanggal 9 Oktober 2017, Direktorat Jenderal Pajak telah menerbitkan surat persetujuan No. KEP-164/WPJ.19/2017 untuk menggunakan nilai buku pajak. Perhitungan aset (atau liabilitas) pajak tangguhan mencerminkan posisi tersebut.

33. JASA KUSTODIAN

Divisi Jasa Kustodian Bank mendapatkan izin untuk menyediakan jasa kustodian dari Badan Pengawas Pasar Modal Otoritas Jasa Keuangan berdasarkan Surat Keputusan No. S-05/PM.2/2017 tanggal 20 Januari 2017.

Pada tanggal 31 Desember 2018 dan 2017, aset yang disimpan dan diadministrasikan oleh Divisi Jasa Kustodian Bank terdiri dari saham, obligasi, deposito berjangka, sertifikat deposito, surat-surat berharga dan instrumen pasar modal dan pasar uang lainnya.

Jasa yang ditawarkan oleh Divisi Jasa Kustodian Bank meliputi jasa penyimpanan, penyelesaian dan penanganan transaksi, aksi korporasi, penagihan pendapatan serta jasa-jasa penunjang terkait lainnya.

34. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN PIHAK BERELASI

Rincian saldo yang signifikan dengan pihak berelasi pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

	2018		2017		
	Jumlah/ Amount	Persentase/ Percentage ¹⁾	Jumlah/ Amount	Persentase/ Percentage ¹⁾	
Giro pada bank-bank lain	1.685.902	1,55	1.479.493	1,46	Demand deposits with other banks
Penempatan pada bank-bank lain	7.507.532	6,89	6.353.055	6,29	Placements with other banks
Tagihan derivatif	68.959	0,06	29.985	0,03	Derivative receivables
Kredit yang diberikan kepada nasabah	613.584	0,56	4.332	0,00	Loans to customers
Aset lain-lain	-	-	89.092	0,09	Other assets
Simpanan dari nasabah	30.958	0,03	22.833	0,03	Deposits from customers
Simpanan dari bank-bank lain	4.870.277	5,22	3.914.703	4,54	Deposits from other banks
Liabilitas yang diukur pada nilai wajar melalui laba rugi	34.108	0,04	196.921	0,23	Liabilities at fair value through or loss
Utang akseptasi	168.758	0,18	268.161	0,31	Acceptance payables
Beban akrual dan provisi	481	0,00	14.465	0,02	Accruals and provisions
Liabilitas lain-lain	-	-	58.671	0,07	Other liabilities
Pinjaman yang diterima	19.973.820	21,41	13.363.988	15,51	Borrowings
Pinjaman subordinasi	1.078.500	1,16	1.017.563	1,18	Subordinated debt

¹⁾ Persentase terhadap jumlah aset/liabilitas

Percentage of the total assets/liabilities ¹⁾

32. TAXATION (continued)

On 28 December 2018 the Director General of Tax has issued Tax Objection Decision on the Bank's objection on VAT SKPKB period April 2017 which partially accepted Bank's objection amounting to Rp 2,016,138 so the tax underpayment which was originally Rp 2,300,901 becomes Rp 284,773 and has been paid on 28 December 2018.

- o. In relation to the business integration, on 21 August 2017 the Bank has submitted a request for using book value on asset transferred in relation to the business integration. On 9 October 2017, Directorate General of Tax has issued the approval decision No. KEP-164/WPJ.19/2017 for using fiscal book value. The calculation of deferred tax asset (or liabilities) reflects this position.

33. CUSTODIAL SERVICES

The Bank's Custodial Services Division obtained a license to provide custodial services from the Capital Market Supervisory Agency Division of Financial Service Authority under its Decree No. S-05/PM.2/2017 dated 20 Januari 2017.

As at 31 December 2018 and 2017, the assets which were maintained and administered by the Bank's Custodial Services Division consisted of shares, bonds, time deposits, certificate of deposits, commercial paper and other capital market and money market instruments.

The services offered by the Bank's Custodial Services Division include safekeeping, settlement and transaction handling, corporate action, income collection and other related supporting services.

34. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

The details of significant balance with related parties as of 31 December 2018 and 2017 were as follows:

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**34. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN
PIHAK BERELASI (lanjutan)**

Pada tanggal 31 Desember 2018 dan 2017, seluruh aset keuangan dengan pihak berelasi memiliki kualitas lancar.

Pada tanggal 1 Mei 2013, Bank menandatangani perjanjian pinjaman dengan The Hongkong and Shanghai Banking Corporation Limited untuk fasilitas sebesar USD 150 juta (dalam nilai penuh) dan tenor pinjaman sampai dengan 3 tahun. Perjanjian pinjaman ini telah diperbaharui pada tanggal 9 September 2016. Pada tanggal 31 Desember 2018, saldo terhutang atas fasilitas ini adalah sebesar Rp 19.973.820 (USD 1.389 juta). Pinjaman ini memiliki tingkat suku bunga mengambang, yaitu LIBOR 1 bulan ditambah *spread* berkisar antara 22 bps sampai dengan 48 bps (*basis point*). Tanggal jatuh tempo pinjaman ini mulai dari November 2019 sampai dengan November 2020. Tidak ada aset yang ditempatkan sebagai jaminan atas pinjaman ini.

Sebagai bagian dari integrasi usaha, terdapat pengalihan fasilitas pinjaman sebesar USD 1.250 juta. Jumlah saldo pinjaman yang ditransfer dari IMO kepada Bank pada 17 April 2017 adalah sebesar Rp 9.942.375 (USD 750 juta).

Pada tanggal 10 April 2017, Bank menandatangani perjanjian pinjaman subordinasi dengan HSBC Asia Pacific Holdings (UK) Limited ("HAPH") dan telah menerima dana sebesar USD 75 juta yang jatuh tempo pada tanggal 10 April 2027. Pinjaman subordinasi ini memiliki tingkat suku bunga mengambang, yaitu USD LIBOR 3 bulan ditambah 407 bps (*basis point*). Pada tanggal 31 Desember 2018, saldo terhutang atas fasilitas ini adalah sebesar Rp 1.078.500 (USD 75 juta). Pinjaman subordinasi ini ditujukan untuk mendukung Modal Pelengkap (Tier 2).

Rincian transaksi yang signifikan dengan pihak berelasi untuk tahun yang berakhir tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

**34. NATURE OF RELATIONSHIP AND
TRANSACTIONS WITH RELATED PARTIES
(continued)**

As of 31 December 2018 and 2017, all financial assets with related party are classified as current.

On 1 May 2013, the Bank entered into borrowing agreement with the Hongkong and Shanghai Banking Corporation Limited for a facility amounting to USD 150 million (in full amount) and borrowing tenor up to 3 years. This borrowing agreement was renewed on 9 September 2016. As of 31 December 2018, the outstanding amount from this facility was Rp 19,973,820 (USD 1,389 million). This borrowing bears a floating interest rate of 1 month LIBOR plus spread between 22 bps to 48 bps (*basis point*). Maturity dates of the borrowing balances are ranging from November 2019 to November 2020. There is no asset put as collateral for this borrowing.

As part of the business integration, the Bank assumed borrowing facility amounting to USD 1,250 million. The total borrowing balances that was transferred from IMO to the Bank as of 17 April 2017 was amounting to Rp 9,942,375 (USD 750 million).

On 10 April 2017, the Bank entered into subordinated loan agreement with the HSBC Asia Pacific Holdings (UK) Limited ("HAPH") and has already received funding amounting to USD 75 million which maturing on 10 April 2027. This subordinated debts bears a floating interest rate of 3 month USD LIBOR plus 407 bps (*basis points*). As of 31 December 2018, the outstanding amount from this facility was Rp 1,078,500 (USD 75 million). The subordinated debts is intended to support Supplementary Capital (Tier 2).

The details of significant transactions with related parties for the years ended 31 December 2018 and 2017 were as follows:

	2018		2017		
	Jumlah/ Amount	Persentase/ Percentage ²⁾	Jumlah/ Amount	Persentase/ Percentage ²⁾	
Pendapatan bunga	180.844	3,03	52.282	1,04	Interest income
Pendapatan provisi dan komisi	26.342	1,37	37.420	2,64	Fees and commission income
Beban bunga	498.799	27,76	221.915	15,88	Interest expenses
Beban provisi dan komisi	71.899	13,81	50.189	14,15	Fees and commission expenses
Beban umum dan administrasi	359.911	19,94	258.299	20,67	General and administrative expenses
Pendapatan lainnya - bersih	3.850	46,82	8.021	55,43	Other income - net

²⁾ Persentase terhadap masing-masing jumlah pendapatan/beban

Percentage of the respective total income/expenses ²⁾

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**34. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN
PIHAK BERELASI (lanjutan)**

Rincian tagihan kontinjensi dengan pihak-pihak berelasi pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

2018		2017	
Jumlah/ Amount	Persentase/ Percentage ³⁾	Jumlah/ Amount	Persentase/ Percentage ³⁾

Tagihan kontinjensi :
Garansi yang diterima dari
bank-bank lain

6.072.658 41,53

**34. NATURE OF RELATIONSHIP AND
TRANSACTIONS WITH RELATED PARTIES
(continued)**

The details of contingent receivables with related parties as at 31 December 2018 and 2017 were as follows:

3.805.883 36,43

Contingent receivables :
Guarantees received
from other banks

³⁾ Persentase terhadap jumlah komitmen dan kontinjensi

³⁾ Percentage of the total commitments and contingencies

Selain transaksi dan saldo di atas, Bank telah melakukan pembayaran sebesar Rp 285.582 dan Rp 253.281 untuk layanan jasa *intragroup* selama tahun berakhir 31 Desember 2018 dan 2017 (Catatan 36).

In addition of above transactions and balances, the Bank has paid an amount of Rp 285,582 and Rp 253,281 for intragroup services during the years ended 31 December 2018 and 2017, respectively (Note 36).

Rincian sifat hubungan dan jenis transaksi yang signifikan dengan pihak berelasi pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

The details of the relationship and type of significant transactions with related parties as of 31 December 2018 and 2017 were as follows:

Pihak berelasi/Related party	Sifat relasi/Nature of relationship	Jenis transaksi/Type of transaction
HSBC Bank Australia Ltd	Perusahaan afiliasi/Affiliated company	Giro dan transaksi derivatif/Demand deposits and derivative transactions
HSBC Bank Canada	Perusahaan afiliasi/Affiliated company	Giro dan beban provisi dan komisi/Demand deposits and fees and commissions expense
The Hongkong and Shanghai Banking Corporation Limited, (Thailand branch) Bangkok	Perusahaan afiliasi/Affiliated company	Giro/Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (Australian branches) Sydney	Perusahaan afiliasi/Affiliated company	Giro/Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (Indian branches) Mumbai	Perusahaan afiliasi/Affiliated company	Giro/Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (Japanese branches) Tokyo	Perusahaan afiliasi/Affiliated company	Giro/Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (New Zealand branches) Auckland	Perusahaan afiliasi/Affiliated company	Giro/Demand deposits
Hang Seng Bank Ltd	Perusahaan afiliasi/Affiliated company	Call money
HSBC Bank plc	Perusahaan afiliasi/Affiliated company	Giro, akseptasi dan transaksi derivatif/Demand deposits, acceptance and derivative transactions
The Hongkong and Shanghai Banking Corporation Limited, (Singaporean branches) Singapore	Perusahaan afiliasi/Affiliated company	Giro, akseptasi, transaksi derivatif, dan liabilitas lain-lain/Demand deposits, acceptance, derivative transactions, and other liabilities
The Hongkong and Shanghai Banking Corporation Limited	Perusahaan afiliasi/Affiliated company	Giro, simpanan, akseptasi, transaksi derivatif, call money, pinjaman yang diterima, surat berharga, beban bunga yang masih harus dibayar, dan jasa komunikasi/Demand deposits, deposits, acceptance, derivative transactions, call money, borrowings, investment securities, accrued expenses and communication services

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**34. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN
PIHAK BERELASI (lanjutan)**

Rincian sifat hubungan dan jenis transaksi yang signifikan dengan pihak berelasi pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut: (lanjutan)

Pihak berelasi/Related party	Sifat relasi/Nature of relationship	Jenis transaksi/Type of transaction
The Hongkong and Shanghai Banking Corporation Limited, Jakarta branch	Perusahaan afiliasi/Affiliated company	Simpanan dan giro/Deposits and demand deposits
HSBC Trinkaus and Burkhardt AG	Perusahaan afiliasi/Affiliated company	Akseptasi/Acceptance
HSBC Bank Malaysia Berhad	Perusahaan afiliasi/Affiliated company	Akseptasi/acceptance
HSBC Amanah Malaysia Berhad	Perusahaan afiliasi/Affiliated company	Giro/Demand deposits
HSBC Asia Pacific Holdings (UK) Ltd	Perusahaan induk/Parent company	Liabilitas lain-lain, Pinjaman subordinasi/Other liabilities, Subordinated debt
Dewan Komisaris, Direksi dan keluarga	Manajemen kunci/Key management	Kredit yang diberikan kepada nasabah dan simpanan dari nasabah/Loans to customers and Deposits from customers
HSBC Bank USA	Perusahaan afiliasi/Affiliated company	Giro dan transaksi derivatif/Demand deposits and derivative transactions
HSBC Bank (China) Company Limited	Perusahaan afiliasi/Affiliated company	Giro dan akseptasi/Demand deposits and acceptance
HSBC France	Perusahaan afiliasi/Affiliated company	Giro/Demand deposits
HSBC Bank Polska S.A.	Perusahaan afiliasi/Affiliated company	Akseptasi/Acceptance
HSBC Bank (Taiwan) Limited	Perusahaan afiliasi/Affiliated company	Giro dan akseptasi/Demand deposits and acceptance

Transaksi dengan personil manajemen kunci

Personil manajemen kunci adalah pihak yang memiliki kewenangan dan tanggung jawab untuk mengendalikan aktivitas Bank baik secara langsung maupun tidak langsung.

Personil manajemen kunci termasuk Dewan Komisaris, Direksi dan Kepala Divisi tertentu yang memiliki kewenangan dan tanggung jawab yang signifikan untuk merencanakan, mengarahkan dan mengendalikan kegiatan Bank.

Pada tanggal 31 Desember 2018 dan 2017, kredit yang diberikan kepada personil manajemen kunci dikategorikan sebagai lancar sehingga tidak ada kerugian penurunan nilai individual yang dicatat.

Remunerasi personil manajemen kunci untuk tahun yang berakhir tanggal 31 Desember 2018 dan 2017 terdiri dari:

	2018	2017
Imbalan kerja jangka pendek	348.296	209.663
Imbalan kerja berbasis saham	24.666	13.819
Imbalan kerja jangka panjang lainnya	6.664	3.611
Imbalan pasca-kerja	185	660

Rincian gaji, tunjangan dan bonus Dewan Komisaris, Direksi, Komite Audit dan Komite Pemantau Risiko selama tahun yang berakhir tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

	2018	2017
Direksi	61.792	28.405
Dewan Komisaris	5.138	3.241
Komite Audit dan Komite Pemantau Risiko	720	779
Jumlah	67.650	32.425

**34. NATURE OF RELATIONSHIP AND
TRANSACTIONS WITH RELATED PARTIES
(continued)**

The details of the relationship and type of significant transactions with related parties as of 31 December 2018 and 2017 were as follows: (continued)

Transactions with key management personnel

Key management personnel are parties who have authority and responsibility to control the Bank activities, directly or indirectly.

Key management personnel include Board of Commissioners, Directors and certain Heads of Division that have significant authority and responsibility for planning, directing and controlling the Bank's activities.

As of 31 December 2018 and 2017, loans to the key management personnel are classified as current hence there are no individual impairment losses have been recorded.

Remuneration of key management personnel for the years ended 31 December 2018 and 2017 comprised:

	2018	2017
Short-term employee benefits	348.296	209.663
Share-based compensation plan	24.666	13.819
Other long-term employee benefits	6.664	3.611
Post-employment benefits	185	660

Details of salaries, allowance and bonuses of the Board of Commissioners, Directors, Audit Committee and Risk Monitoring Committee for the years ended 31 December 2018 and 2017 were as follows:

	2018	2017
Directors	61.792	28.405
Board of Commissioners	5.138	3.241
Audit Committee and Risk Monitoring Committee	720	779
Total	67.650	32.425

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35. KOMITMEN DAN KONTINJENSI

Pada tanggal 31 Desember 2018 dan 2017, komitmen dan kontinjensi Bank adalah sebagai berikut:

	2018	2017	
Komitmen			Commitment
Kewajiban komitmen			Committed liabilities
L/C yang tidak dapat dibatalkan	(3.035.786)	(2.307.855)	Irrevocable L/C
Fasilitas kredit yang belum digunakan - <i>committed</i>	(1.061.317)	(2.202.919)	Unused credit facilities - committed
Jumlah kewajiban komitmen	(4.097.103)	(4.510.774)	Total committed liabilities
Kontinjensi			Contingency
Kewajiban kontinjensi			Contingent liability
Bank garansi yang diterbitkan	(10.525.813)	(10.447.404)	Bank guarantees issued
Jumlah	(14.622.916)	(14.958.178)	Total

Bank garansi diterbitkan atas nama nasabah dalam rangka penjaminan pembayaran kredit dan pelaksanaan proyek.

As of 31 December 2018 and 2017, Bank's commitment and contingencies were as follows:

Bank guarantees are issued on behalf of customers for credit repayment and project implementation purposes.

Pada tanggal 31 Desember 2018 dan 2017, semua L/C dan bank garansi diterbitkan untuk pihak ketiga.

As of 31 December 2018 and 2017, all L/C and bank guarantees were issued to third parties.

Pada tanggal 31 Desember 2018 dan 2017, Bank memiliki sejumlah kewajiban sewa operasi yang tidak dapat dibatalkan atas aset tetap dimana pembayaran minimum sewa diperpanjang selama beberapa tahun.

As of 31 December 2018 and 2017, the Bank was obligated under a number of non-cancellable operating leases for assets which the future minimum lease payments extend over a number of years.

Komitmen sewa operasi yang tidak dapat dibatalkan adalah sebagai berikut:

The non-cancellable operating lease commitments were as follows:

	2018	2017	
Hingga 1 tahun	(98.544)	(122.569)	Up to 1 year
1 - 5 tahun	(135.221)	(161.127)	1 - 5 years
	(233.765)	(283.696)	

Pada tanggal 31 Desember 2018, terdapat beberapa tuntutan hukum, pengurusan administrasi dan klaim yang belum terselesaikan dalam kegiatan usaha Bank. Tidak mungkin untuk memastikan apakah Bank akan memenangkan masalah atau tuntutan hukum tersebut, atau dampaknya jika Bank kalah. Namun demikian, manajemen Bank yakin bahwa hasil keputusan masalah atau tuntutan hukum tersebut tidak akan membawa dampak yang signifikan pada hasil usaha, posisi keuangan maupun likuiditas Bank.

As at 31 December 2018, there are several legal actions, administrative proceedings and claims in the ordinary course of the Bank's business. It is not possible to predict with certainty whether or not the Bank will ultimately be successful in any of these legal matters or, if not, what the impact might be. However, the Bank's management does not expect that the results in any of these proceedings will have a material adverse effect on the Bank's results of operations, financial position or liquidity.

Bank tidak memiliki liabilitas kontingen yang signifikan pada tanggal 31 Desember 2018 dan 2017.

The Bank has no significant contingent liability as of 31 December 2018 and 2017.

36. PERJANJIAN PENTING

Management support agreement

Dalam rangka membantu Bank untuk memperluas, mengembangkan dan meningkatkan bisnis dan operasinya dan untuk memastikan bahwa Bank memiliki tata kelola perusahaan yang sesuai dengan standar internasional, manajemen Bank telah meminta The Hongkong and Shanghai Banking Corporation Limited (HBAP) untuk memberikan beberapa bantuan manajemen yang dibutuhkan dan untuk melaksanakan alih pengetahuan di bidang perbankan dan tata kelola yang baik kepada Bank.

36. SIGNIFICANT AGREEMENT

Management support agreement

In order to assist the Bank to expand, develop and improve its business and operations and to ensure that the Bank has a corporate governance regime which corresponds with the best international standards, the Bank's management has requested The Hongkong and Shanghai Banking Corporation Limited (HBAP) to provide certain agreed management services and to facilitate the transfer of banking knowledge, expertise and best practices to the Bank.

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36. PERJANJIAN PENTING (lanjutan)

Management support agreement (lanjutan)

Untuk tujuan tersebut, pada tanggal 25 Mei 2009, Bank telah menandatangani *Management Services Agreement* dengan HBAP, berdasarkan mana HBAP telah setuju untuk memberikan, atau menyebabkan untuk diberikannya oleh HSBC Holdings plc atau salah satu perusahaan yang dimiliki oleh HSBC Holdings plc kepada Bank jasa manajemen tertentu.

Selanjutnya, *Management Services Agreement* telah diubah dan dinyatakan kembali oleh Bank dan HBAP dengan menandatangani *Amendment and Restatement Management Services Agreement* ("Management Support Agreement atau MSA") pada tanggal 10 Mei 2012.

Berdasarkan MSA ini, HBAP telah setuju untuk memberikan, atau memastikan bahwa anggota yang relevan dari HSBC Grup harus memberikan bantuan manajemen kepada Bank. Bantuan manajemen yang dimaksud berupa:

- (i) Bantuan manajemen dan teknis (tidak termasuk pengaturan konsultasi dalam jenis apapun),
- (ii) Berbagai pengetahuan perbankan yang dimiliki dan akan diberikan oleh HBAP (atau anggota dari HSBC Holding plc) kepada Bank, dan
- (iii) Bantuan lain yang telah disetujui secara tertulis yang akan disediakan oleh HBAP kepada Bank dari waktu ke waktu.

Perjanjian layanan jasa antargrup - HBAP

Pada tanggal 31 Maret 2017, Bank telah menandatangani Perjanjian Layanan Jasa Antargrup dengan The Hongkong and Shanghai Banking Corporation Limited (HBAP), dimana HBAP telah setuju untuk memberikan jasa-jasa yang berkaitan dengan pemberian bantuan teknis untuk bidang-bidang sesuai dengan kesepakatan para pihak.

Perjanjian layanan jasa antargrup - IMO

Dalam rangka membantu The Hongkong and Shanghai Banking Corporation Limited - Cabang Jakarta (IMO) untuk melakukan operasinya setelah integrasi dengan tujuan penutupan cabang, Bank telah menandatangani Perjanjian Layanan Jasa Intra-Grup dengan IMO dimana Bank telah setuju untuk memberikan jasa-jasa yang berkaitan dengan manajemen risiko, tata kelola, operasional usaha, pelaporan serta jasa lainnya sebagaimana disetujui kedua belah pihak.

Integrasi usaha

Sehubungan dengan integrasi usaha dan operasi antara Bank dan IMO, Bank telah menandatangani perjanjian-perjanjian berikut ini:

- Perjanjian Kerangka Kerja antara HBAP dan Bank Untuk Melaksanakan Integrasi Usaha Perbankan di Indonesia tertanggal 18 Oktober 2016 dan perjanjian pernyataan kembali dan perubahannya tertanggal 13 April 2017;
- Akta pengalihan tertanggal 18 Oktober 2016; dan
- Akta Novasi tertanggal 18 Oktober 2016.

Secara keseluruhan, perjanjian di atas membentuk Perjanjian Integrasi.

36. SIGNIFICANT AGREEMENT (continued)

Management support agreement (continued)

For this purpose, on 25 May 2009, the Bank and HBAP signed a *Management Services Agreement*, in which HBAP has agreed to provide, or cause to be provided by either HSBC Holdings plc or one of the group companies owned by HSBC Holdings plc to the Bank certain management services.

Subsequently, the *Management Services Agreement* was changed and restated by the Bank and HBAP through the signing of the *Amendment and Restatement Management Service Agreement* ("Management Support Agreement or MSA") on 10 May 2012.

Based on this MSA, HBAP has agreed to provide, or to ensure that a relevant member of the HSBC Group shall provide the management's support to the Bank. The management's support includes:

- (i) Management and technical support (not a consultancy arrangement in any kind),
- (ii) The sharing of Banking Know How by HBAP (or any other member of the HSBC Holding plc) to the Bank, and
- (iii) Any other support in writing to be provided by HBAP to the Bank from time to time.

Intra-group service agreement - HBAP

On 31 March 2017, the Bank and The Hongkong and Shanghai Banking Corporation Limited (HBAP) have signed the *Intra-Group Service Agreement*, in which HBAP agrees to provide technical assistance for subjects that are mutually agreed by both parties.

Intra-group service agreement - IMO

In order to assist the The Hongkong and Shanghai Banking Corporation Limited – Jakarta branches (IMO) to conduct in operation post integration for the purpose of branch closure, the Bank has signed an *Intra-Group Service Agreement* with IMO in which the Bank agrees to provide services relating to risk management, corporate governance, business operation, reporting and other services as mutually agreed by both parties.

Business integration

In connection to the integration of business and operations between the Bank and IMO, the Bank signed the following agreements:

- Framework Agreement Between HBAP and the Bank to Implement the Integration of The Banking Business in Indonesia dated 18 October 2016 and its restatement and amendment agreement dated 13 April 2017;
- Deed of assignment dated 18 October 2016; and
- Deed of Novation dated 18 October 2016.

Collectively, the above agreements form the *Integration Agreement*.

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36. PERJANJIAN PENTING (lanjutan)

Integrasi usaha (lanjutan)

Selain Penjanjian Integrasi, informasi integrasi juga dimuat dalam Akta No. 34 tertanggal 13 April 2017 (Akta Integrasi) yang dibuat di hadapan Mala Mukti, S.H., LL.M., notaris di Jakarta.

Setelah penyelesaian integrasi, sampai sejauh bahwa bisnis tertentu, aset dan liabilitas IMO tidak dapat dialihkan kepada Bank karena pembatasan berdasarkan hukum dan praktik yang berlaku, maka akan ada bisnis cabang IMO yang tersisa selama masa transisi sampai seluruh hak dan kewajiban dari IMO dapat diselesaikan menurut hukum yang berlaku.

Bank mengakui dan menyetujui bahwa dalam menerima pengalihan aset dan liabilitas, Bank akan menerima pengalihan bisnis sebagai *going concern*.

Total perhitungan untuk pengalihan Bisnis (bersama-sama dengan Aset dan Liabilitas yang Diterima) merupakan suatu jumlah yang sama dengan nilai buku bersih Bisnis (lihat Catatan 1c). Pada tanggal Penyelesaian Integrasi, Bank atau HBAP, sebagaimana yang berlaku, melunasi atas nama pihak lainnya Perhitungan Bisnis Awal sebesar nilai aset bersih yang dialihkan.

Dalam periode yang telah ditentukan, Bank dan HBAP telah melakukan finalisasi jumlah aset-aset dan kewajiban-kewajiban dalam lingkup Integrasi dan telah menyetujui jumlah nilai buku bersih final dimana tidak terdapat selisih antara nilai final dan Perhitungan Bisnis Awal.

36. SIGNIFICANT AGREEMENT (continued)

Business integration (continued)

In addition to Integration Agreement, information on integration is also documented in Deed No. 34 dated 13 April 2017 (Integration Deed) which effected by Mala Mukti, S.H., LL.M., a public notary in Jakarta.

Following the completion of the integration, to the extent that the certain business, assets and liabilities of IMO cannot be transferred to the Bank due to limitation under applicable law or practice, there will be IMO residual branch business for a transitional period of time until all right and obligations of IMO can be wound down in accordance with applicable law.

The Bank acknowledges and agrees that in accepting the transfer of the assets and assuming liabilities, the Bank will be accepting the transfer of the business as a going concern.

The total consideration for the transfer of the Business (together with the Assumed Assets and Liabilities) is an amount equal to the Business Net Asset Value (see Note 1c). On date of Integration Completion, the Bank or HBAP, as applicable, has settled in favor of the other party the Initial Business Consideration which equal to the transferred net asset value.

Within the agreed period, the Bank and HBAP have finalized the amount of assets and liabilities within the scope of the Integration and had mutually agreed to the final Business Net Asset Value where the final amount does not differ with the Initial Business Combination.

37. REKLASIFIKASI

Reklasifikasi akun

Akun tertentu dalam laporan posisi keuangan pada tanggal 31 Desember 2017 telah direklasifikasi agar sesuai dengan penyajian laporan posisi keuangan pada tanggal 31 Desember 2018.

37. RECLASSIFICATION

Account reclassification

Certain accounts in statement of financial position as at 31 December 2017 has been reclassified to conform with the presentation of financial position as at 31 December 2018.

31 Desember/December 2017			
Disajikan sebelumnya/ As previously stated	Reklasifikasi/ Reclassification	Setelah reklasifikasi/ After reclassification	
LAPORAN POSISI KEUANGAN:			
Aset			
Aset keuangan dalam kelompok diperdagangkan	5.342.857	(189.225)	5.153.632
Tagihan derivatif	-	189.225	189.225
	5.342.857	-	5.342.857

**STATEMENT OF FINANCIAL
POSITION:**

Assets
Financial assets held for
trading
Derivative receivable

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37. REKLASIFIKASI (lanjutan)

Laporan arus kas

Aktivitas tertentu dalam laporan arus kas untuk tahun yang berakhir pada tanggal 31 Desember 2017 telah direklasifikasi sehubungan dengan dampak atas transfer aset dan liabilitas dari integrasi usaha (Catatan 1c) agar sesuai dengan penyajian laporan arus untuk tahun yang berakhir pada tanggal 31 Desember 2018.

37. RECLASSIFICATION (continued)

Statement of cash flows

Certain activities in the statement of cash flows for the year ended 31 December 2017 has been reclassified in relation with transfer of assets and liabilities (Note 1c) to conform with the presentation of statements of cash flows for the year ended 31 December 2018.

31 Desember/December 2017				
Disajikan sebelumnya/ As previously stated	Reklasifikasi/ Reclassification	Setelah reklasifikasi/ After reclassification		
ARUS KAS DARI AKTIVITAS OPERASI:			CASH FLOWS FROM OPERATING ACTIVITIES:	
Aset keuangan dalam kelompok diperdagangkan	(5.026.762)	3.263.906	(1.762.856)	Financial assets held for trading
Tagihan derivatif	(187.175)	490.950	303.775	Derivative receivable
Kredit yang diberikan kepada nasabah	(42.047.080)	40.743.541	(1.303.539)	Loan to customer
Aset lain-lain	(4.057.257)	7.389.802	3.332.545	Other assets
Simpanan dari nasabah	37.821.581	(54.650.838)	(16.829.257)	Deposits from customers
Simpanan dari bank-bank lain	8.487.820	(3.035.449)	5.452.371	Deposits from other banks
Liabilitas derivatif	524.342	(1.061.473)	(537.131)	Derivative liabilities
Beban akrual dan provisi	527.934	(659.817)	(131.883)	Accruals and provisions
Liabilitas lain-lain	3.605.158	(15.774.305)	(12.169.147)	Other liabilities
	(351.439)	(23.293.683)	(23.645.122)	
ARUS KAS DARI AKTIVITAS INVESTASI:			CASH FLOWS FROM INVESTING ACTIVITIES:	
Pembelian efek-efek untuk tujuan investasi	(19.130.306)	9.717.065	(9.413.241)	Purchase of investment securities
Perolehan aset tetap	(1.043.448)	470.730	(572.718)	Purchase of fixed assets
Pengalihan kas dan setara kas sehubungan dengan integrasi usaha	-	13.105.888	13.105.888	Transfer of cash and cash equivalent from business integration
	(20.173.754)	23.293.683	3.119.929	
Dampak bersih reklasifikasi pada arus kas	(20.525.193)	-	(20.525.193)	Net impact of reclassification on cash flow

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