

ACCELERATING SUSTAINABLE GROWTH





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" or "HBID" which are 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.



ACCELERATING SUSTAINABLE GROWTH

For Us, achieving long-term success means investing in sustainable growth. How we do business is as important as what we do. We understand that achieving success in the long term, economic growth must also be sustainable. For more than 135 years' presence in Indonesia, we have served in the best interest of our customers, shareholders, and stakeholders by upholding strong governance and sustainability principles in our operations. We will continue to move forward while adhering to prevailing laws and regulations to ensure that HSBC Indonesia can accelerate growth in a sustainable manner.

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Key Highlights 2019

The overall banking sector in 2019 still experienced challenges, mainly in weakening loan growth and tight liquidity. HSBC took a prudent approach to maintain a healthy loan growth in line with long term business growth.



Capital Adequacy Ratio (CAR)

23.65%

CAR was at a healthy level and above regulatory requirement.



Total Customer Deposits

Rp 65.5 trillion

Total customer deposits increased 19.24% from Rp54.9 trillion in 2018.



Total Assets

Rp 111.9 trillion

Total assets per 31 December 2018 increased 2.66% from Rp109 trillion in the previous year.



Gross Non-Performing Loan Ratio

2.52%

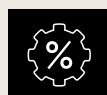
The gross non-performing loans ratio remained stable.



Total Gross Loans Disbursed

Rp 67.7 trillion

Total gross loan disbursed as at 31 December 2019.



Return on Assets

2.72%

Return on assets ratio increased from 1.13% in 2018.



Return on Equity

13.78%

Return on Equity ratio increased from 5.95% in 2018.



Net Profit

Rp 2.31 trillion

Net Profit Increased 158% from Rp0.90 trillion in 2018.



BOPO: Cost to Income

74.16%

Cost to income ratio improved from 88.92% in 2018.

Financial Highlights

(in billion Rupiah, unless otherwise specified)

	2019	2018
Statements of Financial Position		
Total Assets	111,860	108,961
Loans to Customers - gross	67,657	68,475
Investment securities	14,418	12,600
Deposits from Customers		
- Demand deposits	27,964	24,961
- Saving accounts	12,399	12,228
- Time deposits and deposits on call	25,106	17,718
Total Liabilities	93,724	93,305
Total Equity	18,136	15,656
Statements of Comprehensive Profit or Loss		
Interest income	6,197	5,976
Interest Expenses	(2,217)	(1,796)
Net Interest Income	3,980	4,180
Non-Interest Income	3,149	2,304
Operating Income	6,458	5,168
Profits Before Tax	3,040	1,265
Net Profit for the Year	2,311	894
Comprehensive Income	168	(103)
Financial Ratios		
Capital		
Capital Adequacy Ratio (CAR)	23.65%	20.79%
Productive Assets Quality		
Non-performing productive and non-productive assets to total productive and non-productive assets ratio	0.99%	1.25%
Non-performing productive assets to total productive assets ratio	1.69%	1.76%
Non-Performing Loan Ratio - gross	2.52%	2.52%
Non-Performing Loan Ratio - net	1.22%	1.22%
Other Ratios		
Profitability		
Return on Assets (ROA)	2.72%	1.13%
Return on Equity (ROE)	13.78%	5.95%
Liability to Equity Ratio	516.78%	595.97%
Liability to Asset Ratio	83.79%	85.63%
Net Interest Margin (NIM)	4.39%	4.64%
Cost to Income Ratio	74.16%	88.92%
Liquidity		
Macprudential Intermediation Ratio (RIM) ^{*)}	89.05%	124.71%
Low-cost Funding Ratio	61.65%	67.73%
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	7.12%	9.40%
Net Open Position (NOP)	6.44%	8.60%

^{*)} previously called LDR (Loan to Deposit Ratio), which was changed to RIM in accordance to Bank Indonesia Governor Members Regulation No. 20/11/PADG/2018 as of 31 December 2018 and Bank Indonesia Governor Members Regulation No. 21/22/PADG/2019 as of 31 December 2019.

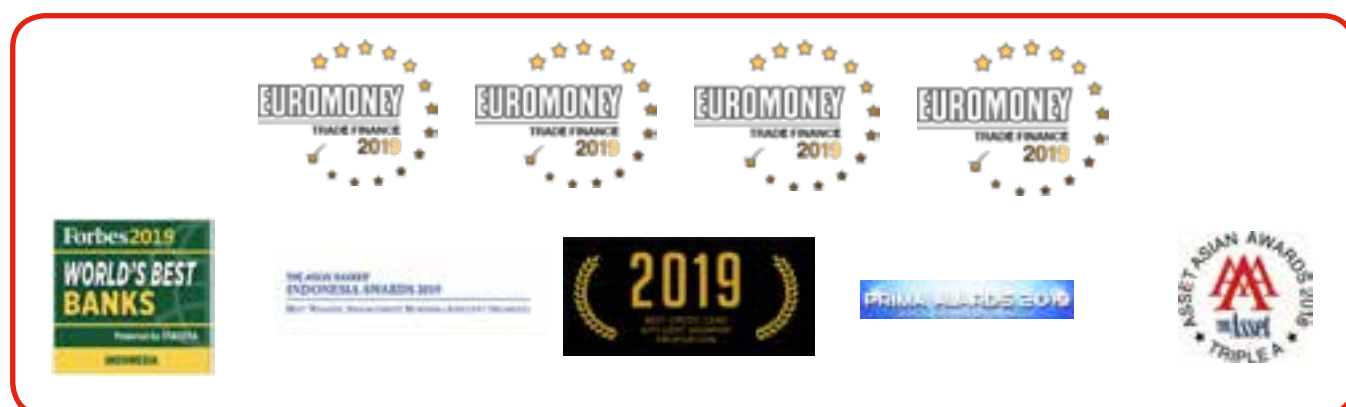
Strategic Initiatives in 2019

In 2019, PT Bank HSBC Indonesia (“the Bank”) continued to focus on the following strategic initiatives to support sustainable business growth:

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

Awards in 2019

- **Indonesia Trade Finance Market Leader 2019 from Euromoney**
- **Indonesia Best Trade Finance Service Leader 2019 from Euromoney**
- **Best Domestic Cash Manager 2019 from Euromoney**
- **Best in Service Cash Manager for Overall Service 2019 from Euromoney**
- **Best Wealth Manager from Asset Asian Awards 2019**
- **Best Wealth Management Business from the Asian Banker Indonesia Awards 2019**
- **3rd Best Bank in Indonesia according to the Forbes ranking of World’s Best Banks 2019**
- **Best Credit Card Affluent Segment Proposition 2019 by Mastercard Recognition Awards**
- **Best Acquirer Bank in Foreign Bank category by Prima Awards 2019**
- **Best Issuer Bank in Foreign Bank category by Prima Awards 2019**



Important Events in 2019



HSBC Supports Badminton

Starting 2018, HSBC Group have engaged in a 4-year global partnership with Badminton World Federation (BWF) and became the title sponsor of HSBC-BWF World Tour Series which hosts 26 tournaments across 20 countries and regions including Australia, China, Hong Kong, India, Indonesia, Malaysia, Singapore, Switzerland, United Kingdom, and the United States.

Throughout 2019, PT Bank HSBC Indonesia hosted two major tournaments namely Indonesia Masters and the prestigious Indonesia Open; one of only three BWF Super 1000 Series other than China Open and All England. The Bank invited the general public to support Indonesian badminton athletes through various activities including meet and greet with Olympic gold medalist Liliyana Natsir, and a line-up of Indonesian badminton heroes including Rudy Hartono, Anthony Sinisuka Ginting, Kevin Sanjaya, Marcus Fernaldi Gideon and Hendra Setiawan.

The Bank also participated in an internal badminton tournament held in Guangzhou and competed with 6 other countries. Despite being a new entrant to the 2019 staff tournament, the Bank won 2 bronze medals in the mixed doubles and women's singles.



HSBC Economic Update 2019

The 2019 HSBC Economic Update entitled “The Golden Moment of Indonesia Economy” aimed to provide insights for public and private sector leaders into how Indonesia’s economy can enter its golden moment.

The speakers include Coordinating Minister of Economic Affairs Darmin Nasution, Vice Minister of Finance Mardiasmo, Coordinating Minister of Maritime Affairs Luhut Pandjaitan; followed by an outlook keynote from HSBC’s Chief ASEAN Economist, Joseph Incalcaterra, who spoke about Asia’s signs of stabilization, trade environment and ASEAN FDI views.

The event was further enriched with the presence of esteemed panelists, Rosan Roeslani of Indonesian Chamber of Commerce, former minister of finance M Chatib Basri, CEO & Co-Founder Tokopedia William Tanuwidjaja, as well as HSBC’s Group General Manager and Head of Belt & Road/Corridors.



A person wearing a traditional conical hat is silhouetted against a vibrant sunset sky. They are standing on a small boat, reaching out towards the water. In the background, a larger structure, possibly a pier or part of a ship, is visible. The sky is a mix of dark, heavy clouds and bright, glowing light from the setting sun, which creates a strong reflection on the water's surface. A large, semi-transparent pink and purple geometric shape is overlaid on the left side of the image.

Chapter

02

MANAGEMENT REPORT

Report of The Board of Commissioners

Dear Esteemed Shareholders,

We saw a challenging 2019 global economic growth as trade tensions between the US and China disrupted global investment and trade. Indonesia was not immune to this effect coupled with domestic issues including stagnant household consumption and uncertainty due to the presidential and legislative elections. In 2019, Indonesia's GDP growth moderated to 5.02%, the lowest since 2015. Bank Indonesia cut the benchmark rate by 100 bps to 5% to stimulate growth.

The impact to the Indonesian banking industry is not small either. Versus 2018, bank loan growth was almost halved in 2019, as banks became more prudent to respond to increasing risks. Meanwhile, liquidity remained tight and was concentrated in larger banks. Nevertheless, banks as an industry continued to be well capitalised. We believe the regulator will continue to focus on protecting macroeconomic and banking industry stability through various policies tailored to market developments.

Matthew Kneeland Lobner
President Commissioner



Despite the backdrop of global and domestic uncertainties, the Bank delivered a positive performance with reported net profit grew by 158.5% to Rp2,311 billion, on the back of a 25% increase in operating income to Rp.6,458 billion. This achievement is accompanied by continued focus on sustainable growth of our assets and ensuring ample capital and liquidity position, with Capital Adequacy Ratio (CAR) stood at 23.7% and Liquidity Coverage Ratio (LCR) at 516.92% by end of 2019. We respectfully thank the Board of Directors (BOD) for addressing these challenges while maintaining business sustainability in prudent bank principles.

Assessment of the Performance of the Board of Directors

Facing these challenges, the Board of Directors ("BOD") managed to steady the ship. The Board of Commissioners ("BOC") appreciates BOD's decision to opt for slower growth in 2019 in order to ensure long-term business sustainability. Lending was lower than last year, but the rate of non-performing loans was within the anticipated level, indicating focus was on ensuring quality assets.

The increase in third party funds also shows that the Bank has the objective of ensuring long-term sustainability. With a strong focus on longer term sustainability, we believe that BOD has set solid foundations for future performance.

BOC is delighted to see BOD's commendable focus on customer centricity. Strategic actions were taken to digitally enhance customer on-boarding process and transaction turnaround time.

The Board of Commissioners appreciates the effort by Board of Directors in 2019 to steady the ship in order to ensure long-term business sustainability. This move has set solid foundations for the future.

Supervision of the Bank's Strategy and Advising the Board of Directors

BOC worked closely with BOD to ensure HBID capitalized on and contributed to the HSBC Group. We monitored the Bank's performance against the agreed priorities and strategies. Through the Bank's committees, we ensured good corporate governance implemented to strengthen business fundamentals and sustainability.

In 2019, BOC held 5 (five) joint meetings with BOD. Apart from these formal meetings, we regularly communicated to maintain shared visions of growing prudently and sustainably.

Outlook

Global growth in 2020 will be under further pressure from COVID-19. The Indonesian Government initially targeted economic growth to be 5.3%, however due to COVID-19 the growth is expected to be as low as 2.3%, and may even contract to -0.4% at worst case scenario. Bank Indonesia estimated that the economy might only pick up from the second quarter 2021. If the economy suffers a slowdown, lending may be well below the Financial Services Authority's forecast of 10%-12%.

Sustainability

In discharging our corporate responsibilities, the Bank has put in place a sustainability culture. We realise that customers, employees, regulators, shareholders as well as the public are affected by our operations. Therefore we are committed to reducing the impact of our operations on the environment.

Additionally, the Bank launched community investment programmes to support various communities and Government's sustainability agenda. Those programmes have path the way to deliver positive impacts to the country in the longer term.

Report of The Board of Commissioners

Good Corporate Governance

One of the most crucial elements in the banking industry is trust. Every bank must retain the trust of its stakeholders to sustain its businesses. With Good Corporate Governance, we maintain such trust. BOC is happy to report that BOD already embedded good governance culture in managing the Bank.

Performance of the Committees under the Board of Commissioners

The committees under BOC – the Audit Committee, the Risk Oversight Committee, and the Remuneration and Nomination Committee – have performed their duties as planned. In 2019, the Audit Committee held 4 meetings, while the Risk Oversight Committee held 5 meetings and the Remuneration and Nomination Committee held 7 meetings.

Changes in the Composition of the Board of Commissioners

There was no change in the composition of BOC in 2019. BOC consists of five members 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 ¹⁾

¹⁾ Effectively withdrew her application as a member of the Board of Commissioners on 29 October 2019 prior to receiving OJK approval.

Appreciation

BOC wishes to thank BOD and employees for their commendable performance in 2019 during challenging times. We also appreciate the trust of our shareholders, customers, regulators, and other stakeholders, allowing BOC to work effectively in supervising the operations of the Bank.



MATTHEW KNEELAND LOBNER
President Commissioner

Board of Commissioners



Hanny Wurangian

Vice President Commissioner and
Independent Commissioner

Matthew Kneeland Lobner

President Commissioner

Mark Thomas McKeown
Commissioner

Hariawan Pribadi
Independent Commissioner

Umar Juoro
Independent Commissioner

Report of The Board of Directors

Dear Shareholders and Stakeholders,

Let me begin this report by firstly extending our gratitude for the support the Bank received during the challenging times of 2019. We have seen uncertainties due to global and domestic factors, pressuring on the economy and the banking sector. Despite the challenges, PT Bank HSBC Indonesia managed to book a positive performance on which I would like to now elaborate.

Economic and Banking Conditions in 2019

The global economy in 2019 experienced a slowdown not seen since the 2008 global financial crisis. With trade tensions globally, global economic growth declined to 2.4% from 3% in 2018, according to the World Bank.

Sumit Dutta
President Director

Central banks relaxed their policies to stimulate the economy, but the impact was relatively limited. The world's two largest economies both experienced a slowdown. The US saw growth falling to 2.3% in 2019 from 2.9% a year earlier, despite the Federal Reserve's rate cuts of 75 bps. China's growth was also weaker than expected at 6.1%.

The slowing global trade and investment also impacted Indonesia. Additionally, most of the focus domestically in 2019 was on the general elections. The economy only began to pick up in the fourth quarter of 2019 after the new cabinet was formed. According to the Statistics Agency, GDP growth in 2019 was 5.02%, the lowest since 2015, as household consumption remained stagnant.

Bank Indonesia tried to stimulate growth by cutting rates by 100 bps to 5%, as the inflation rate reached 2.72%, its lowest point since 1999. However, impact of the move was limited, as banks have been prudent in disbursing loans due to the uncertain environment. According to the Financial Services Authority (OJK), loans only grew by 6.08% in 2019, half of 2018's 12% growth. Meanwhile, non-performing loans were relatively stable, with gross NPL ratio only increasing slightly to 2.5% from 2.4% in 2018.

Banks faced competition not only among themselves but also from capital markets and financial technology (fintech) firms. While lending growth was only 6%, corporate bonds rose by 7.6% and fintech lending soared by 141.5%.

Focus on quality customers and competition resulted in a lower interest margin for banks. Net interest margin (NIM) dropped to 4.9% in 2019 from 5.1% in 2018. Meanwhile, profitability only rose by 4.3%, far below the 14.4% profit growth in 2018. Overall, however, the banking sector remained well capitalised with capital adequacy ratio (CAR) of 23.3%.

Bank Performance

PT Bank HSBC Indonesia managed to book a positive performance in 2019 despite external challenges. Total assets and equity stood at Rp111,860 billion and Rp18,136 billion, or increased by 2.7% and 15.8% from last year, respectively. Reported net profit for 2019 reached Rp2,311 billion, which is an increase of 158.5% from last year result.

Our focus continued to be on sustainable growth, and building a strong foundation for the future. Accordingly, we

did not participate in short term price wars, and we exited business which was not in line with our appetite. We were comfortable to have gross loan book of Rp67.657 billion being 1.2% below last year and maintained NPL at the same level as 2018, namely 2.5%.

We were also comfortable to see margin reduced to 4.4%, from 4.6% in 2018 as we focus on

quality customers who demand better pricing. Normalising for one-offs in 2018 and 2019, profit before tax still rose by Rp921 billion or 54.4%. This increase was driven by lower impairment losses resulting from improvement of loan book and higher trading income resulting from Indonesia's credit rating upgrade by S&P. The capital remained strong, with CAR rising to 23.7% from 20.8% in 2018.

Strategic Policies

The Bank continued maintaining our business priorities:

- To improve the customer centric focus.
- To leverage international network to maximize the opportunities in cross-border corridors.
- To grow customer deposits (mainly those denominated in Rupiah) to support assets growth.
- To invest in digital area to drive retail business.
- To strengthen and foster relations with the local companies in 10 cities.
- To capture the infrastructure opportunities to promote growth in assets and revenues.

Report of The Board of Directors

- To attract, educate, and maintain the existing talents, in addition to operational streamlining and strengthened oversight.

The Bank also focuses on issues related to the environment, community welfare, and governance (ESG), as these are crucial for our long term growth.

Overcoming Challenges

Economic conditions in 2019 were challenging for the banking sector. Slow exports and weak domestic demand affected the performance of many businesses. This meant that banks had to be more prudent in channeling loans to avoid a substantial increase in non-performing loans.

PT Bank HSBC Indonesia anticipated and responded to those challenges. The Bank decided to lend only to quality debtors to manage the non-performing loans ratio at an acceptable level. We reduced loans below our risk appetite, while monitoring the quality of existing debtors. These moves saw the total loans decline while the NPL ratio remained relatively unchanged.

Commitment to Sustainable Finance

We have embedded sustainability into the ways we operate to reflect our corporate responsibilities to customers, employees, shareholders and the society. For us, the only way to achieve long-term success is through sustainable business growth.

This means that we include sustainability risk in considering loan proposals as well as being selective in selecting which market sectors we want to be in. We also continue to be compliant with the latest laws and regulations on sustainability.

Sustainability Value and Bank Response

In line with POJK No. 51/POJK.03/2017, the national economy must grow in a stable, inclusive, and sustainable manner. In this context, it is important to have a financial system that can prevent financing or investment practices which use

resources excessively, leading to an widening social gap and environmental damage.

The financial system should implement sustainability principles that can create economic, social, and ecological values in the model, process, and practice. The objective of sustainable development is to ensure environmental integrity as well as the security, capability, welfare, and quality of life of current and future generations.

Our sustainable finance objective is in line with the spirit of the prevailing regulation. In certain sectors, the Bank allows transition towards low-carbon economy and helps customers manage risks during such transition period through lending facilities, consultation or access to the capital market. This is a key process to allow development of new energy, technology, and infrastructure needed for a cleaner future.

Commitment to Implement Sustainability Principles

At PT Bank HSBC Indonesia, sustainable agenda is led directly by the President Director, supported by our global experience in sustainability of the HSBC Group.

The Bank's main unit in driving sustainability agenda, Corporate Sustainability unit, reports to the President Director. Businesses and functions also have sustainability champions to identify business opportunities, customer engagement planning, and product development set up under sustainable principles. Senior management is actively involved in formulating strategies to respond to issues of environmental, social, governance, and disclosures.

Additionally, HSBC also collaborates with other banks to expand and advance the market.

Ongoing efforts to implement sustainable principles are:

- Developing employees' competence and knowledge through training as well as engagement.
- Establishing dedicated working group on sustainable finance.

- Demonstrating thought leadership in the market through involvement in forums and conferences as speakers.
- Educating customers to understand risks which may affect their businesses, while supporting transitions towards low-carbon economy.
- Internally, the Bank also implements transitions towards low-carbon economy, especially in operations.

External Conditions and Challenges to Sustainable Finance Achievement

Sustainable finance in Indonesia is still at an early stage and HSBC is privileged to help lead the way. To participate in advancing the Indonesian sustainability market, PT Bank HSBC Indonesia became an active member of the Indonesian Sustainable Finance Initiatives (IKBI). The Bank has been able to share global expertise within HSBC Group as well as contribute in market study and research.

Moreover, the Bank realises a rapid change in climate can lead to potential threat in the continuity of habitat in earth, the society and economy. Therefore, the Bank is committed to playing its part as a responsible corporate citizen to create a low-carbon world.

Sustainable Finance Performance Achievement in 2019

The Bank integrated the aspect of environmental and social protection to prevent, mitigate, and minimize negative impacts in operations. The Bank has also increased staff competence and knowledge on sustainable finance, climate change, and implementation of sustainable financial principles.

In 2019, the Bank has implemented standard of operations and procedures to integrate environmental, social, and governance issues in the Bank's activities, especially in loan operations. The Bank constantly reviews (and if required exits) customers whose businesses have or potentially have negative impact to the environment and society.

Environmental Aspect

The Bank used environmental-friendly materials, such as papers bearing Forest Stewardship Council (FSC) certificates (made from wood sourced from forests managed according to international sustainability standards or recycled materials). The Bank has also provided special trash bins for staff to sort out can, paper, or plastic wastes.

When relocating to World Trade Center 3, the office has been equipped with the latest technology such as LED and sensor lamps. This has saved the Bank of electricity consumption by 12%.

Social Aspect

The Bank is committed to providing fair products and services to customers, in line with regulations from the Financial Services Authority: POJK No. 1/POJK.07/2013 on Customer Protection and SEOJK No. 12/SEOJK.07/2014 on Information Delivery in Marketing of Financial Services and/or Products.

The Bank has adopted conduct framework to ensure employees and the Bank treat customers fairly and is equitable and transparent.

On gender diversity, in 2019, the population of female employees reached more than 55%, while senior positions held by female reached 45%.

In competence development, in 2019 the Bank spent 98,403 hours of training. Therefore, on average each employee received 3.53 days of trainings annually.

To support work-life balance, the Bank introduced sabbatical leave policy and extended our work from home arrangements for staff.

Other Achievements

Leveraging HSBC Group global network, the Bank facilitated the issuance of the Indonesian government's Global Green Sukuk worth USD2 billion. This demonstrated the Bank's expertise and strength in sustainable finance.

Board of Directors



Sumit Dutta
President Director

Stephen Whilton Angell
Director

Blake Digney Philip Hellam
Director

Yessika Effendi
Compliance Director



Dio Alexander Samsoeri
Director

Caecilia Pudji Widyarti
Director

Tripudjo Putranto Soemarko
Director

John Peter Watt Rosie
Director

Report of The Board of Directors

The Bank also has introduced supply chain solutions complying with sustainability principles. The Bank continues to find opportunities in commercially-oriented activities that support environment improvement, including in ethical and fair supply chain areas.

Moreover, the Bank fully supports international standards of sustainable palm oil. The Bank partnered with non-government organisations, industry groups and customers to increase demand for certified and sustainable palm oil.

Risk Management

The Bank sees the importance of adapting to climate change as it creates potential economic disadvantages. Therefore, the Bank undertakes climate change due diligence on customers.

The Bank proactively discusses with customers to understand the risks which can affect their businesses. The Bank also supports customers in the transition towards low-carbon economy.

Opportunity Going Forward

We see that sustainable finance will help businesses to transition from carbon-intensive economy, while developing new source of energy, technology, and infrastructure needed for a cleaner future.

Opportunities arise from customers and projects in these sectors: renewable energy, energy efficiency, sustainable waste and water management, sustainable land utilisation, climate change adaptation, and clean building and transportation.

Business Outlook

The economy in 2020 is facing impacts of COVID-19 pandemic. Depending on how this progresses, the economy could be constricted in growth or even contract. Bank Indonesia cut the benchmark rate by 25 bps each on 20 February and 19 March 2020 to 4.5% with a room for further monetary easing.

The Bank has already progressed with substantial de-risking in 2019 and we continue to proactively reviewed our portfolio and run stress tests to ensure our portfolio remains strong. We are also continually evaluating our liquidity and capital to ensure we are in a financially strong position to undertake our responsibilities as a key player in the Indonesian banking system.

Good Corporate Governance

The Bank adheres to the principles of Good Corporate Governance. We are operating in an industry where customer trust can determine business continuity. Therefore, good governance is a priority in our daily activities.

The Bank complies with the latest regulations on governance and keeps abreast of the best practices. According to our half-yearly self-assessment, the Bank's Good Corporate Governance rating for 2019 is "Good". This demonstrates that the Bank is run prudently for the interests of stakeholders.

Human Resources and Technology

Human resources and technology are the backbone of the Bank's business.

We continuously improve our information technology infrastructure to provide better and more efficient services to customers. For example, Internet Banking gives retail customers flexibility to buy or sell investment products, while Real Time Screening speeds up the process of opening accounts.

The Bank in 2019 continued developing the skills of its employees through mentoring and training to prepare them to become future leaders. We provide selected staff with international exposures to give them a global mindset while retaining local knowledge.

Corporate Social Responsibility

In financial inclusion, the Bank launched an online programme Anak Cerdas (Bright Children), an interactive financial education programme for elementary students. We also run the HSBC Educenter of Banking and Finance to help increase financial literacy among students, lecturers, and the public.

Changes in the Composition of the Board of Directors

The changes in the composition of the Board of Directors in 2019, are as follows:

1. Catherinawati Hadiman Sugianto resigned from her position as Director effective on 28 May 2019. Her position is scheduled to be resourced in the second quarter of 2020; and
2. Dio Alexander Samsoeri was appointed as Director effective on 19 September 2019.

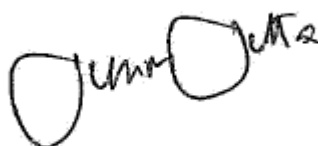
The composition of the Board of Directors as at 31 December 2019, as follows:

Designation	Name
President Director	Sumit Dutta
Director	Catherinawati Hadiman Sugianto ^{*)}
Director	John Peter Watt Rosie
Director	Blake Digney Philip Hellam
Director	Tripudjo Putranto Soemarko
Compliance Director	Yessika Effendi
Director	Caecilia Pudji Widyarti
Director	Stephen Whilton Angell
Director	Dio Alexander Samsoeri ^{**)}

^{*)} Effectively resigned as member of Board of Directors on 28 May 2019
^{**)} Effectively appointed as member of Board of Directors on 19 September 2019

Appreciation

I believe that the Bank's focus and actions in 2019 have been positive to provide strong business foundation for growth. While 2020 looks like a very challenging year, I believe we will be able to navigate these challenges.



SUMIT DUTTA
President Director





Chapter

03

COMPANY PROFILE

Company Profile

HSBC serves Indonesian customers through more than 79 offices in 27 cities. Our more than 3,700 employees are ready to serve customer needs for Retail Banking and Wealth Management, Commercial Banking, and Global Banking and Markets.

About HSBC Group

HSBC Group (HSBC) is one of the world's largest banking and financial services providers in the world, operating in both established and emerging markets. Throughout our history we have been where the growth is, connecting customers to opportunities. We enable business to thrive and economies to prosper, helping people fulfill their hopes and dreams and realise their ambitions.

HSBC serves more than 40 million customers across the globe, from individual to major corporates, through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets and Global Private Banking. Our network includes 64 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 Group:

- HSBC was founded in Hong Kong on **3 March 1865**.
- HSBC Group has around **3,800** offices in **64** countries.
- Around **40 million** customers bank with us.
- HSBC employs **235,000 people** around the world.
- HSBC Group reported profits before tax in 2019 of **USD13.3** billion with **total assets** of **USD2.7** trillion.
- HSBC Group **paid USD10.3** billion in shareholder dividends in 2019.

HSBC also facilitated a number of Indonesian companies to connect with global opportunities. Key deals in 2019 include:

- Mandated as Joint Dealer Manager of up to USD 185m Global Bonds Tender Offer for Sritex Group. The deal was oversubscribed by 1.46x.
- Mandated as Joint Lead Manager, Joint Bookrunner and Sole Green Structuring Advisor for the Republic of Indonesia's dual tranche of USD750m 5.5-year and USD1.25 billion 10-year Reg S / 144A Trust Certificates (the "Wakala Sukuk").
- Mandated as Joint Global Coordinators, Joint Lead Managers & Bookrunners for PT Bank Mandiri (Persero) Tbk. USD750 million 5-year Reg S issuance. HSBC was the only international bank as the Global Coordinator and led the establishment of the EMTN Programme. HSBC also acted as B&D ('billing & delivery') bank to ensure successful settlement for Bank Mandiri.
- Mandated as sole financial advisor of USD500m deal size to Pasifik Satelit Nusantara in relation to its proposal to build, own and operate a Government Multifunction Satellite PPP that is being procured by the Ministry of Communications of the Government of Indonesia.
- Mandated as the Joint Bookrunner and Joint Lead Manager for Republic of Indonesia's SEC-Registered Senior Unsecured Fixed Rated Notes, comprising USD750m long 10-year and EUR750m long 7-year tranche.
- Tapped 144A/RegS USD bond market with 10/30 year offering with total issuance amount of USD1.4bn for PLN.



- Tapped USD bond market with 10/30 year offering with total issuance amount of USD1.5bn for Pertamina.
- Mandated as Joint Bookrunner of Rp856 bn (e.q USD60.3m) equity placement for Merdeka Copper Gold.
- Mandated as Joint Global Coordinator of USD225m bond issuance for Sri Rejeki Isman.
- Provided Ratings advisory deal to Buana Lintas Lautan.
- Priced global bond issuance USD500m 10Y, USD500m 30Y, and EUR500m 12Y for PLN at a yield of 3.4%, 4.4%, 1.9%.

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

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 79 offices in 27 Indonesian cities. With support from over 3,700 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.

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 makes 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 challenge, 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.

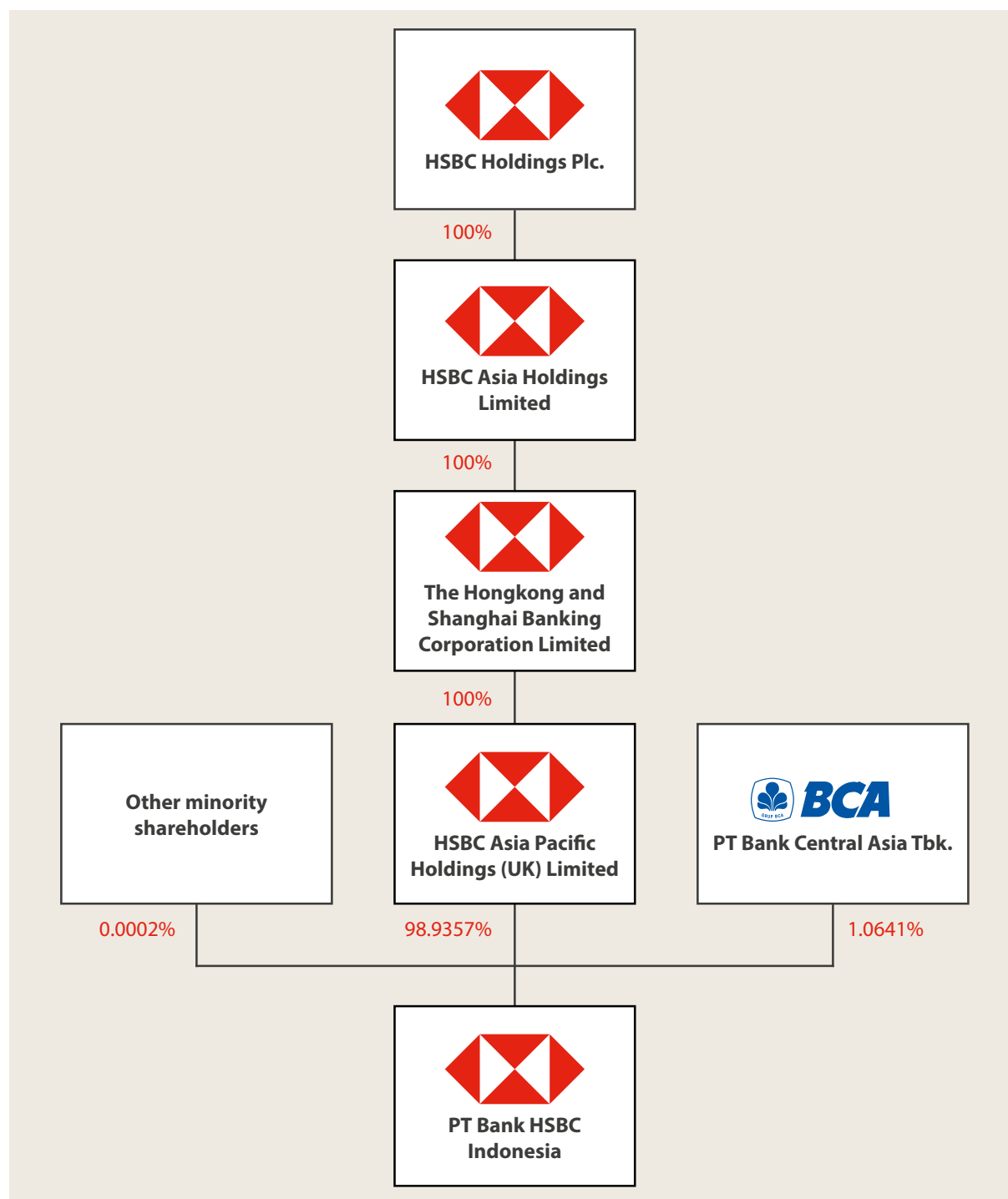
Our Commitment

“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 graphic is the Bank's shareholding structure up to ultimate shareholder as of 31 December 2019:



Share Ownership

The composition of shareholders as of 31 December 2019 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%

Business Activities

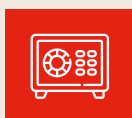
As specified in the Company's Articles of Association, the purpose of the Bank's establishment is to conduct banking business in accordance with regulations.

The following are the Bank's business activities:

- Accepting funds from the public
- Providing loans
- Issuing debt paper
- Purchasing, selling, or guaranteeing on own-risk or for the interest of and upon orders of customers
- Money transfer for own account or customers' interest
- Placing funds to, borrowing fund from, or lending fund 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 activities that are generally carried out by banks, as long it does not contradict with any pertaining laws and regulations.

Products and Services

The Bank has various products and services in its 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

- Reksa Dana/Mutual Funds
- Obligasi/Bond
- Structured Products

Insurance

- Care Invest Plus
- College Care
- Optima Care Invest
- Future Care
- Joint Life Care
- Credit Pro Plus
- Smart Traveler
- AXA Pro Medicare
- AXA Medicare Essential

Wealth Management

- 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 - Rp & FX
- Derivatives - Interest Rate Swap
- Derivatives - Cross Currency Swap
- Dual Currency Investment



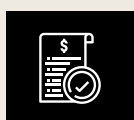
Lending

- Working Capital Loan
- Investment Loan
- Housing Loan
- 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

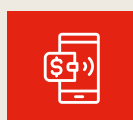
Supply Chain

- Supply Chain Solutions
- Receivables Finance

Bank Guarantee

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

Commodities and Structure 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



HSBC Securities Services

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

Profile

of the Board of Commissioners



01

MATTHEW KNEELAND LOBNER
President Commissioner

United States of America citizen, 48 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 Master 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 role 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; and CEO in HSBC Thailand



02

HANNY WURANGIAN
Vice President Commissioner and
Independent Commissioner

Indonesian citizen, 69 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.



03

HARIAWAN PRIBADI
Independent Commissioner

Indonesian citizen, 78 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).



04

MARK THOMAS MCKEOWN
Commissioner

British citizen, 61 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 since. He has held senior roles in Risk, Operations, Retail Banking and Commercial Banking, some with a global reach. He was appointed a Group General Manager in his previous role covering the full range of Risk Disciplines for the Asia Pacific Region. He is shortly to take up another Group General Manager role in Group Head Office. He has been Chairman of the Region's Risk Management Committee, a member of Executive Committee, is a member of HSBC Group Risk Management Board, was appointed Chairman of HSBC Bank (Taiwan) Limited and serves on the HSBC Asia Holdings Board.



05

UMAR JUORO
Independent Commissioner

Indonesian citizen, 60 years old. His appointment as the Independent Commissioner was conducted in 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, USA. 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.

Profile

of the Board of Directors



01

SUMIT DUTTA
President Director

Indian citizen, 53 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 MBA with major in 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.



02

DIO ALEXANDER SAMSOERI
Finance Director

Indonesian citizen, 44 years old. Appointed as Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 28 May 2019.

He obtained his Bachelor's Degree in Economics from University of Indonesia.

His prior roles include Head of Internal Audit; Chief Financial Officer HSBC Brunei Darussalam; SVP Financial Controller and Chief Operating Officer Finance; VP Quality Control & Process Monitoring Personal Financial Services and a few other positions in Finance in HSBC.

Prior joining the Bank, he worked as Head of Country Finance at Standard Chartered Bank Indonesia; Manager Management Accounting and Business Planning at ABN AMRO Bank NV and as Auditor di Siddharta, Siddharta & Harsono member firm of KPMG International.



03

JOHN PETER WATT ROSIE

Operations and Information Technology Director

British citizen, 46 years old. He was appointed as a Director of PT Bank HSBC Indonesia based on an Extraordinary General Meeting of Shareholders (EGMS) resolution on 19 October 2016.

He obtained his Bachelor's Degree with Honours 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.



04

BLAKE DIGNEY PHILIP HELLAM

Retail Banking & Wealth Management Director

Canadian citizen, 56 years old, and has been working for HSBC for 14 years. 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 (honours 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 and 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 Programme Management, Royal Bank of Canada; and VP & Director Strategic Resource Planning and Management, Royal Bank of Canada.

Profile

of the Board of Directors



05

TRIPUDJO PUTRANTO SOEMARKO
Strategy and Business Implementation Director

Indonesian 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 Finance from Western Illinois University and Master of Business Administration from Western Illinois University.

He has been working in the banking industry for over 30 years and pursuing various career fields, including compliance, finance, project management, product management, operations, 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.



06

CAECILIA PUDJI WIDYARTI
Human Resources Director

Indonesian 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.

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

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



07

STEPHEN WHILTON ANGELL
Risk Management Director

British citizen, 53 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.



08

YESSIKA EFFENDI
Compliance Director

Indonesian citizen, 47 years old. Appointed as Compliance Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 30 March 2017.

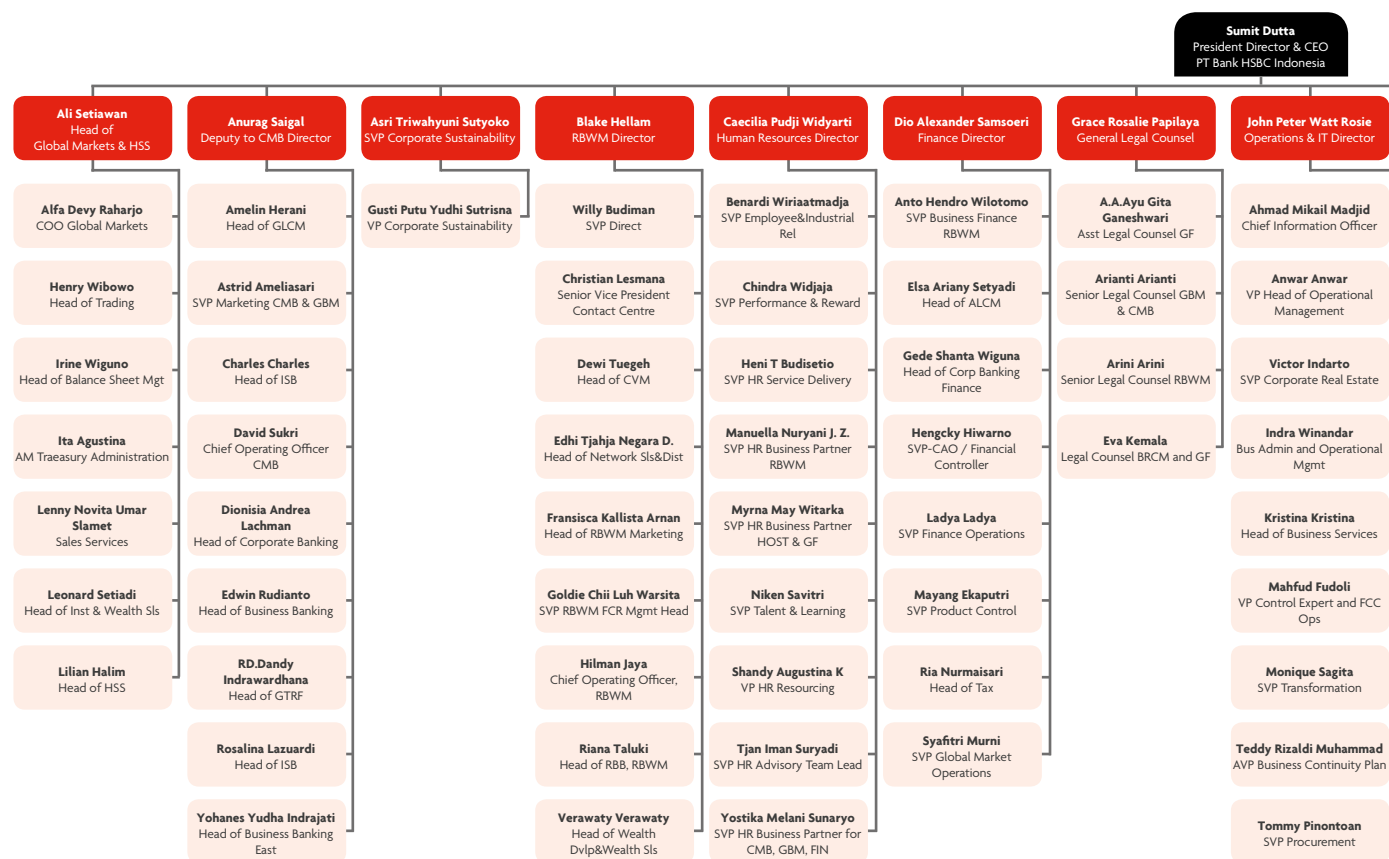
She obtained her Bachelor's Degree in Mathematical and Computer Sciences from the University of Adelaide.

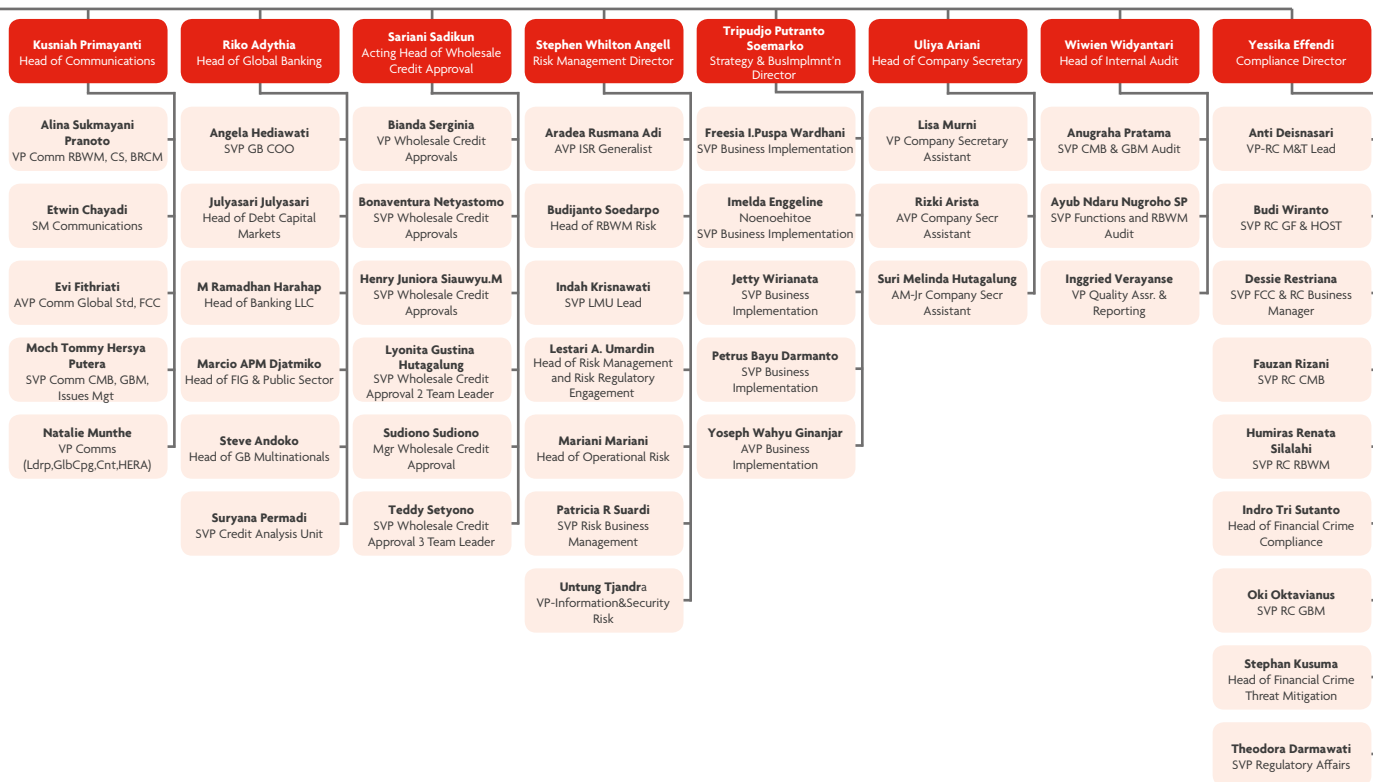
Her previous positions include Compliance Director at Citibank N.A Jakarta in 2010, Global Transaction Services Operations Head in 2008 and Cash and Trade Operations Head in 2006. In 2001, she was appointed as Document Checking and Export Booking Unit Head at Citigroup Regional Trade Processing Centre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

- Key Highlights 2019
- Management Report
- Company Profile
- Management Discussion and Analysis
- Good Corporate Governance
- Corporate Sustainability
- Corporate Data
- Sustainability Report
- Financial Statements

Organisational Structure

Organisational structure of PT Bank HSBC Indonesia 31 December 2019







Chapter

04

MANAGEMENT DISCUSSION AND ANALYSIS



Economic Review

Global Economic Review

Global growth sharply slowed in 2019 as trade and investment continued to weaken. Trade tension between the two world's largest economies, the US and China, had created policy uncertainty and put pressure on global trade and investment. Investor confidence was dented, which led to a capital flight to bond markets in search of safety.

The World Bank estimated global economic growth in 2019 to slow to 2.4%, from 3% in 2018: the lowest rate since the global financial crisis. Global trade growth slumped to an estimated 1.4% from 4% in 2018. Central banks around the world tried to ease monetary policy to help cushion the decline, but the impact of these measures was limited.

The US saw growth falling to an estimated 2.3% in 2019, from 2.9% in the previous year, due to slowing investment and exports. The negotiation on tariffs with China only began in mid-October, which might not help boost exports in the near term. The Federal Reserve cut policy rates by 75 basis points in 2019 on concerns over economic outlook and low inflation.

China also saw weaker growth than expected at 6.1% as domestic demand cooled and trade stayed weak, while industrial production continued to dip. In response, China's monetary authority has tried to ease policy while the government pursued tax cuts and public spending to stem the fall.

Japan, meanwhile, saw growth rise to an estimated 1.1% from 0.8% in 2018, although it was mostly based on a shopping spree as consumers purchased goods before the hike in value added tax in October. Growth is expected to decline in the coming years as manufacturing and exports remained weak.

In India, subdued consumption caused growth to weaken to an estimated 5% after booking a 6.8% growth in 2018. Southeast Asian countries were also feeling the impact of a weaker Chinese economy, mainly through slowing investment and trade.

Domestic Economic Review

Indonesia posted a slower than expected growth in 2019 at 5.02%, versus a target of 5.3% and 2018 growth of 5.2%. Exports fell due to low commodity prices, while investment slowed partly due to investors taking a cautionary approach amid the heated presidential and general elections. Private consumption, the main driver of the economy, was also weak throughout the year as reflected in the low annual inflation rate figure of 2.72%, the lowest since 1999.

The central bank cut policy rates by 100 basis points to help stimulate growth, bringing the 7-Day Reverse Repo Rate to 5% per December 2019. Bank Indonesia also pursued macroprudential policy to support growth while mitigating global risks. The economy began to show signs of improvement in the last quarter, with increasing investment and exports.

Growth in 2019 was mainly driven by manufacturing, wholesale trade, and construction, according to the Statistics Agency. Consumption and investment still booked positive growth, while exports and imports contracted.

The decline in exports hit Indonesia's current account. Current account deficit in 2019 reached 2.7% of the GDP. Nevertheless, Indonesia's balance of payments remained strong, supported by foreign capital inflows. The inflows also caused the Rupiah to strengthen 3.58% in 2019 to Rp13,901 per US dollar at 31 December. Bank Indonesia considered the Rupiah appreciation was in line with its fundamentals and was supported by improving market mechanism.

The Jakarta Composite Index was closed at 6,229.5 or up 1.7% in 2019. Although this was an improvement on the loss suffered in 2018, low investment appetite caused growth to be limited. The Financial Services Authority (OJK) plans to grow capital market by diversifying instruments as well as strengthening governance.

The new Cabinet formed in October 2019 boosted confidence in Indonesia's economy. The Government plans to introduce an omnibus law to improve the investment climate in support of growth. Growth in 2020 initially was expected to range between 5.1% and 5.5%, with growing investment and exports, as well as stronger consumption. But these have not taken into factor the COVID-19 pandemic and its negative impact on the global economy.

Banking Industry Review

Indonesia's banking industry faced tough challenges in 2019 as Indonesia felt the impact of the global economic slowdown and businesses halted expansion. The OJK said overall bank lending only grew by 6.1% in 2019, far lower than an expected range of 12% to 14%. Loan growth was also lower than the 12% growth booked in 2018.

Bank loans were supported by the construction sector and households, which both grew by 14.6%. Banks were being prudent in booking loans in 2019 to manage the risk from rising bad loans, especially to some sectors prone to external risks such as commodities.

The ratio of non-performing loans rose slightly to 2.5% in 2019, versus 2.4% booked in the previous year, but credit risk remained manageable. The capital adequacy ratio of the banking industry reached 23.3%, up from 23.0% in 2018, showing that the banking sector remained stable amid the challenges.

Third party funds grew by 6.54%, slightly more than 6.4% recorded in 2018. As the growth in third party funds outstripped loans, the loan to deposit ratio slowed to 94.4% in 2019, from 94.8% booked a year earlier.

Net interest margin declined to 4.9% in 2019, from 5.1% in the previous year as competition intensified. Despite lower margin, total profits of Indonesian banks rose slightly to Rp156.5 trillion from Rp150 trillion in 2018. Total assets grew by 6.1% to Rp8,563 trillion, from Rp8,063.3 trillion.

Indonesian banks also faced other challenges in 2019. With interest rates low, businesses turned into other source of financing such as issuing bonds or borrowing from financial technology (fintech) firms. Corporate bond issues grew by 7.6% in 2019, while fintech lending grew strongly at 141.5%.

An improved economic growth and lower lending rates could lead to improved performance among banks in 2020. Banks expect loan growth to range between 10% and 12% in 2020, while third party funds to grow between 8% and 10%. These figure have not accounted for the widespread impact of COVID-19 pandemic to the economy in the first quarter of 2020.

Business Review

Retail Banking and Wealth Management

The Retail Banking division of HSBC Indonesia serves personal banking customers across Indonesia with a wide array of products and services. Known as one of the top banks for wealth management in Indonesia, HSBC offers a comprehensive and exclusive set of best in class products, including Bonds, Mutual funds, FX, Credit cards and day to day services. HSBC also offers “HSBC Premier” in Indonesia, an exclusive proposition with the ability to access and manage personal accounts around the world with the help of a dedicated Relationship Manager. RBWM operates branches in 27 cities in Indonesia – as well as offering service 24/7 via on-line banking, mobile banking and a dedicated contact centre.

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

As well, the Bank also offers bancassurance products, Indonesian Government Bonds, and State-Owned Enterprises (SOE) Bonds. By offering various investment products, the Bank has become a leader in wealth management and a trusted partners for customers’ investment throughout Indonesia.

In addition, the Bank continually communicates, educates and supplies information to Advance and Premier clients to assist them in finding suitable investment solutions, to fit their own personal circumstances.

Personal Banking

As well, the Bank offers a wide variety of accounts in Rupiah and foreign currencies, as well as debit card and other day to day products as a complete range of products in the Personal Banking segment.

This includes HSBC VISA Debit Card and HSBC National Payment Gateway (GPN) Debit Card.

Throughout 2019, 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 2019, the Bank introduced a variety of credit card options with different value proposition as part of efforts to improve overall credit card penetration with clients. During the process, the Bank expanded its strategic partnerships to boost brand, credit card usage, and acquisition in various cities in Indonesia. It also improved penetration of retail banking products by targeting credit card customers and continued offering premier credit card to strengthen the proposition of the middle upper class customer base.

To enhance customer loyalty and usage, the Bank also involves merchants and other strategic partners to provide programmes, services, and facilities related to instalment 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. The Business

Unsecured Loan up to Rp1 billion has been launched at the end of 2019 to support the Small and Medium Enterprises (SMEs) segment to access loan for overdraft and investment to support business growth. This is a contribution from HSBC to the domestic economy.

To accommodate customers' needs in the SMEs segment, the Bank rebranded its RBB 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 2019, RBB has served over 3,100 customers within the SMEs.

Wealth Management

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

For insurance products, the Bank offers Care Invest Plus, College Care, Optima Care Invest, Future Care, Joint Life Care, Credit Pro Plus, Smart Traveller, AXA Pro Medicare, AXA Medicare Essential. 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 2019, 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 2019, 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 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 2019, the Bank reviewed and conducted necessary improvements pertaining to the processes, systems, and infrastructures which are related to investments.

The Bank's Plans, Strategies, and Focus for 2020

In order to address the competition within the individual banking business segment, the Bank has developed the following strategies that will be prioritised in 2020:

- Increasing the Wealth Management penetration into the upper middle-class customer segment by providing products that can help customers fulfil 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 Programme.
- 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 and provide continuous improvement in process and services to SME segment specifically.
- 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.

Business Review

Commercial Banking

In the Commercial Banking segment, the Bank provides full banking services to a large and varied customer bases, from upper business banking to big corporates including subsidiaries of our global and regional customers. The banking services include an extensive product suite and propositions including but not limited to loan for working capital, project financing, foreign exchange and derivatives transactions, as well as trade finance and cash management services.

In 2019, the Bank continued its programme to become “The chosen bank of corporate customers” by collaborating closely with Global Banking and Markets (GBM). To realise this, the Bank focused on:

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

Trade financing is one of the core offering of Commercial Banking business. To maximize availability of our trade financing solutions to each customer, the Bank offers access to trade financing subject matter experts through its relationship managers' network and trade business sales team. Additionally, the Bank operates trade counters in Medan, Jakarta, Bandung, Semarang, Solo, and Surabaya to support business trade and expand trade networks.

The Bank also offered supply chain solution to many sectors, including infrastructure, automotive, FMCG, IT, and retail businesses. This was aimed at maximizing the development of trade network and optimizing ecosystem financing for any customer.

The Bank also helped Indonesian companies to maximize their potential by promoting export financing services for customers outside Jakarta.

The Bank also increased fee-based income from branches outside Jakarta by cross selling Trade, Cash Management, and Foreign Exchange.

The Cash Management Services of the Bank under Commercial Banking offers numerous digital and high end technology enabled cash management solutions. 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 2019 and will continue to improve its performance in 2020.

Plans, Strategies, and Focus for 2020

With good performances in 2019, the Bank aims to continue to develop Commercial Banking in 2020, by focusing on the following:

- Maximizing our international connectivity through participating in Belt and Road Initiatives 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 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 grow Current Accounts by promoting featured products that cater for customers' needs. The Bank expects that customers' confidence will increase and prompt them to place their funds in the Bank.
- Increasing Non-Funds Income (NFI) by collaborating with product teams, to cross sell.
- Enhancing customers' overall banking experience.
- Supporting and promoting sustainable financing as our corporate responsibility to the community.

Global Banking & Markets

In Global Banking and Markets (GBM) segments, the Bank provides full banking services for large and varied customer bases from Multinationals, Large Local Corporates, Financial Institutions including Public Sector and Government agencies leveraging our product and solution expertise, international network capabilities supported by best in class banking system. GBM also covers key State-Owned Enterprises (SOE) clients as a continuous support to country key development. The banking services include loan for working capital, project financing, foreign exchange and derivatives transactions, as well as trade finance and cash management services. GBM customers are assisted by Bank's relationship managers, who serve as a product specialist and provide financial solutions for each customer in strengthening long term relationship and supporting growth in Indonesia.

Global Banking

Global Banking continues building the momentum to support our clients growth strategy in Indonesia by connecting throughout our international network and providing end to end product solution. Together with products experts, Global Banking also support our clients in securing their growth plans by assisting our clients on their investment roadshows both inbound and outbound, and provide them with banking services assistance from pre until post investment such as market insights, regulatory updates, and banking solution that is suitable to the client's needs. Global Banking strengthens its position in the market as a trusted advisor for our key clients in growing their business.

The Bank also working closely with the government of Indonesia in enhancing business flows / FDI to Indonesia, by proactively promoting Indonesia's key priorities projects in infrastructure in specific segments such as Power, Oil & Gas, Airports and Ports and continues to provide financing solution and transaction banking capabilities.

The Bank promotes and leverages ecosystem solutions on Pharmaceutical/healthcare, Automotive and Telecommunication to provide one bank solutions leveraging other business segment (Corporate Banking (CMB)) across product cross-sell (Credit & Lending (C&L), Global Markets (GM), GTRF and Global Liquidity and Cash Management (GLCM)).

Together with Global Markets, Global Banking maintains and continues driving FX flows and volume through specific monitoring on dividend payment cycle, hedging and transaction flows.

The Bank maintains corridor connectivity focus with Global Relationship Banker for China, Japan, Korea, US and France Corridors plus Intra ASEAN flow.

In general, Global Banking delivers strong result in supporting both customer and key government priorities, and buildings strong momentum to continue its growth in 2020.

Global Markets & Securities Services

Global Markets and Securities Services department manages an integral part of the bank's operation, balance sheet and treasury & custodian services for local and international clients.

Global Markets team covers a few desks which includes Trading, Balance Sheet Management, Corporate Sales and Institutional & Wealth Sales team. It provides full product services and coverage for the whole bank's franchise business needs such as corporates, financial institution, and retail customers. The products offered include foreign exchange (FX), derivative, fixed income, and other money-markets products. The Bank's business strategy in Global Market continues to focus on franchise business collaboration that benefit customers and leveraging international connectivity by supporting cross-border activities related to featured products, such as GTRF, GLCM and HSBC Securities Services (HSS).

At the same time the team will also continue to support local financial markets deepening and development in conjunction with Bank Indonesia and OJK vision. Recent commitment towards market development and deepening of financial markets transactions in Indonesia can be seen through products such as FX Option - Call Spread, FX Domestic Non Deliverable Forward (DNDF), and Repo transaction. All of these new financial transactions aimed at providing a much better risk management tools to manage customers risk exposure and at the same time supporting business operational requirements.

HSBC Securities Services (HSS) also a key strategic part to Global Market business. In Indonesia, we offer complete end-to-end service offering of sub-custodian, fund administration, transfer agency and issuer services to support both our offshore and domestic clients' asset under custody and asset administration. With the continuous commitment to support the capital market transactions in Indonesia, HSS focuses to address our clients' need and requirements through increasing asset and type of products to be administered, investment in people and technology and also operational efficiency to ensure the quality of services provided to support each of our clients' transaction in the capital market.

Business Review

The Bank's Plans, Strategies, and Focus for 2020

The Bank is optimistic facing 2020 and business strategies will focus on the following:

- Growing business flows from existing names, focused on business corridors, through regular and structured meetings and tracking relevant products.
- Growing good quality asset and monitor facility utilisation from existing clients and newly-acquired clients.
- Strengthening our relationship with ministers, agencies and SOEs through regular updates and specific project discussion leveraging structured product solutions the Bank's international capabilities and network.
- Capturing business flows and providing end-to-end solutions to specific ecosystem (automotive, manufacturing, FMCG), focusing on supply chain financing.
- Enhancing connectivity in specific corridors mainly Japan, China, Korea, Intra-Asean and the US to support foreign direct investment into Indonesia, by establishing new business and growing the multinational segment leveraging technology, product solutions and our international network.
- Strengthening the relationship with top SOEs and local banks and collaborating with HSS to focus on existing clients' growth and intensify service coverage (Global Bond issuance, bond repo, hedging, credit and lending. This also includes large insurance companies, fund managers, and global markets transactions.
- Leveraging GTRF and GLCM product capabilities to grow the customer base from International network, business corridors, and local corporates.
- Providing financing and transaction banking capabilities to Indonesia's priority Infrastructure projects includes Belt and Road Initiative in specific segments: Power, Oil & Gas, airports, Ports, and Special Economic Zones.
- Developing talent through international exposure and training programmes on credit risk and, product solutions.

Marketing Analysis

The Bank is committed to providing products and services to meeting the needs of individual and corporate customers. The Bank's offering for individual customers is focused on two flagship propositions: HSBC Premier provides global benefits and exclusive services to affluent customers. HSBC Advance aims to partner with emerging affluent customers, helping them to grow their wealth without having to worry about their financial conditions.

The Bank also initiated a promotion programme for HSBC credit cards to cater for the cardholders' lifestyle. The Bank offered various benefits for HSBC credit card holders in shopping, dining, and travelling around the world. Another benefit for HSBC credit card holders is the cashback feature and also the "Reward Programme" which allows customers to collect 'reward points' from all their credit cards transaction. There is also a point exchange with hotel vouchers, mileage programmes, shopping vouchers, or discounts in participating Instant Reward Merchants.

Throughout 2019, the Bank carried out credit card promotion programmes with selected merchants in 6 categories:

- Thematic Campaign that included Ramadhan Programme, Independence Day Programme, and Year-End Holiday Programme.
- E-Commerce online daily deals which consist of discounts and installment programmes available everyday in various e-commerce merchants.
- Dining programmes which offer discounts or enable consumers to pay their bill with points at various restaurant.
- Hotel, Airlines and Travel related programmes; offering discounts and installments in online and offline merchants,
- The Groceries Programme offers discounts on certain days.
- The Event Programme includes "travel fair", "midnight sales", and "new gadget launching" programmes.

The Bank also offers Personal Loans with competitive interest rates, quick approval, and maturity starting from 1 year to 3 years. This facility is aimed at helping customers to fulfil short-term financing needs. The Bank also provides housing loans for customers with medium- and long-term needs, either buying

their first house or investment properties. The interest rates of HSBC housing loan are competitive approved quickly and tailored to the needs to our customers.

The Bank also developed technology of its distribution channels to be able to serve customers anytime and anywhere. These channels include ATMs, phone banking, internet banking for both investments and everyday transactions, video banking and mobile banking.

In Indonesia, the Bank has branches in 27 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 facility that connects every customer with the Bank's Contact Centre. Customers could also access Bank's services in more than 77,000 ATMs through Bersama network and more than 100,000 ATMs through the PRIMA network.

Throughout 2019, the Bank also conducted several marketing programmes:

- Throughout 2019, the Bank held more than 100 education events on Wealth Management & HSBC Banking Capabilities in cities where HSBC branches are located.
- The Bank maintained strategic partnerships with investment providers, SOEs and the government in promoting and offering investment products such as equity mutual funds, corporate bonds, Sukuk, and government bonds including IPO bonds.
- The Bank ran promotion programs in partnership with various merchants to acquire new customers and grow spending in e-commerce, travel, dining, fashion, electronics, and malls.
- The Bank increased product penetration to customers by developing new products and processes for Premier and Advance customers.
- Encouraged banking customers to apply for credit cards through various initiatives including improved communication on credit card offers and benefits.

Financial Performance Review

The financial performance review described in this report refers to the Financial Statements for the year ended 31 December 2019. The Financial Statements have been audited by Certified Public Accountant Firm Tanudiredja, Wibisana, Rintis, & Partners and received unmodified opinion, in all material respects, the financial position of the Bank as of 31 December 2019, and financial performance and its cash flows for the year ended on the date, are in accordance with Indonesian Financial Accounting Standards.

Statement of Financial Position

Financial Position	31 December 2019	31 December 2018	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Asset				
Cash	696	654	42	6.42%
Demand deposits with Bank Indonesia	7,344	7,778	(434)	-5.58%
Demand deposits with other banks	2,261	1,997	264	13.22%
Placements with other banks	7,697	7,507	190	2.53%
Placements with Bank Indonesia	1,488	350	1,138	325.14%
Investment securities	14,418	12,600	1,818	14.43%
Financial assets held for trading	2,864	2,904	(40)	-1.38%
Derivative receivables	477	542	(65)	-11.99%
Securities purchased with agreement to resell	465	1,094	(629)	-57.50%
Export bills	1,435	1,082	353	32.62%
Acceptance receivables	2,602	2,406	196	8.15%
Loans to customers - net	65,534	66,344	(810)	-1.22%
Other assets	3,451	2,577	874	33.92%
Properties and equipments – net of accumulated depreciation	716	669	47	7.03%
Intangible assets – net of accumulated amortisation	137	178	(41)	-23.03%
Deferred tax assets	275	279	(4)	-1.43%
Total Assets	111,860	108,961	2,899	2.66%

Liabilities and Equity

Liabilities

Deposits from customers	65,469	54,907	10,562	19.24%
Deposits from other banks	5,058	8,777	(3,719)	-42.37%
Derivative payables	473	824	(351)	-42.60%
Acceptance payables	2,602	2,406	196	8.15%
Securities sold with agreement to repurchase	-	1,454	(1,454)	-100%
Income tax payables	-	1	(1)	-100%
Accruals and provisions	503	745	(242)	-32.48%
Other liabilities	2,985	2,601	384	14.76%
Borrowings	15,063	19,974	(4,911)	-24.59%
Subordinated debt	1,041	1,078	(37)	-3.43%
Employee benefits obligations	530	538	(8)	-1.49%
Total Liabilities	93,724	93,305	419	0.45%

Equity

Share capital	10,586	10,586	-	0.00%
Additional paid-in capital	258	258	-	0.00%
Other comprehensive income/(loss) - net	81	(88)	169	-192.05%
Retained earnings:				
- Appropriated	26	17	9	52.94%
- Unappropriated	7,185	4,883	2,302	47.14%
Total Equity	18,136	15,656	2,480	15.84%
Total liabilities and equity	111,860	108,961	2,899	2.66%

FINANCIAL STATEMENTS ANALYSIS

Total Assets

As of 31 December 2019, the Bank's total assets reached Rp111,860 billion, increased by Rp2,899 billion compared to 31 December 2018 position.

The Bank's total assets were dominated by loans to customers-net, investment securities, placement with other banks and demand deposits with Bank Indonesia amounted Rp65,534 billion, Rp 14,418 billion, Rp7,697 billion and Rp7,344 billion, respectively. Demand deposits with Bank Indonesia were provided to fulfil Bank Indonesia's minimum Statutory Reserve Requirement (GWM). As of 31 December 2019, the minimum Statutory Reserve (GWM) in Rupiah and foreign currencies were 7.12% and 8.12%, respectively.

Commercial surplus was placed in liquid instruments as part of the Bank's risk management on liquidity and funding.

As part of liquidity risk management, the Bank maintained a portion of its assets in the form of liquid assets. Liquid assets are considered as sources of funds that can be readily available to be liquidated.

The Bank maintained total liquid assets in the range of Rp32,416 billion by 2019. The Bank maintained total liquid assets in the form of cash, demand deposits with Bank Indonesia and other banks, placements with other banks, as well as investment securities.

Financial Performance Review

Description	31 December 2019	31 December 2018	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Liquid Asset				
Cash	696	654	42	6.42%
Demand deposits with Bank Indonesia	7,344	7,778	(434)	-5.58%
Demand deposits with other banks	2,261	1,997	264	13.22%
Placements with other banks	7,697	7,507	190	2.53%
Investment securities	14,418	12,600	1,818	14.43%
Total	32,416	30,536	1,880	6.16%

Loans to Customers

The biggest composition from Bank's total assets as of 31 December 2019 was loans to customers-net which accounted for 58.59% or amounted to Rp65,534 billion. Comparing to the same position last year, loan to customers-net decreased by 1.22%.

This decrease was mainly a result of Bank's decision not to engage in price war and reduced loans deemed below Bank's appetite as our focus remains on sustainable growth. On the other hand, Bank has successfully managed to maintain NPL gross ratio at 2.52% as at 31 December 2019 as a result of Bank continuous efforts in monitoring its NPL ratio and undertaking preventive measures as well as corrective actions to maintain the level of NPL in accordance to the Bank's risk appetite.

Loans Composition by Type of Loan

Below is a table showing loan composition based on type of loan.

Type	31 December 2019		31 December 2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Working Capital	53,955	79.75%	54,228	79.19%	(273)	-0.50%
Consumer	3,934	5.81%	4,046	5.91%	(112)	-2.77%
Investment	9,009	13.32%	9,428	13.77%	(419)	-4.44%
Employee	759	1.12%	773	1.13%	(14)	-1.81%
Total	67,657	100.00%	68,475	100.00%	(818)	-1.19%

Loans Composition by Economic Sectors

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

Economic sector- gross	31 December 2019		31 December 2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Business services	8,303	12.27%	8,050	11.76%	253	3.14%
Construction	4,164	6.16%	3,887	5.68%	277	7.13%
Transportation, warehousing and communication	4,563	6.74%	4,875	7.12%	(312)	-6.40%
Trading, restaurant and hotel	12,796	18.91%	13,681	19.98%	(885)	-6.47%
Industry	27,615	40.82%	28,557	41.70%	(942)	-3.30%
Others	10,216	15.10%	9,425	13.76%	791	8.39%
Total	67,657	100.00%	68,475	100.00%	(818)	-1.19%

Loans based on the Collectability Classification of Bank Indonesia

Below is a table showing loan composition based on collectability classification of Bank Indonesia.

Collectability	31 December 2019		31 December 2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Performing Loan	65,953	97.48%	66,750	97.48%	(797)	-1.19%
Pass	64,732	95.68%	64,592	94.33%	140	0.22%
Special Mention	1,221	1.80%	2,158	3.15%	(937)	-43.42%
Non Performing Loan	1,704	2.52%	1,725	2.52%	(21)	-1.22%
Substandard	82	0.12%	313	0.46%	(231)	-73.80%
Doubtful	365	0.54%	288	0.42%	77	26.74%
Loss	1,257	1.86%	1,124	1.64%	133	11.83%
Total Loan	67,657	100.00%	68,475	100.00%	(818)	-1.19%
NPL Ratio - gross	2.52%	na	2.52%	na	0.00%	na
NPL Ratio - net	1.22%	na	1.22%	na	0.00%	na

Liability

Composition of Liabilities	31 December 2019	31 December 2018	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Deposits from customers	65,469	54,907	10,562	19.24%
Deposits from other banks	5,058	8,777	(3,719)	-42.37%
Derivative payables	473	824	(351)	-42.60%
Acceptance payables	2,602	2,406	196	8.15%
Securities sold with agreement to repurchase	-	1,454	(1,454)	-100.00%
Income tax payables	-	1	(1)	-100.00%
Accruals and provisions	503	745	(242)	-32.48%
Other liabilities	2,985	2,601	384	14.76%
Borrowings	15,063	19,974	(4,911)	-24.59%
Subordinated debts	1,041	1,078	(37)	-3.43%
Employee benefits obligations	530	538	(8)	-1.49%
Total Liabilities	93,724	93,305	419	0.45%

Total liabilities of the Bank as of 31 December 2019 amounted to Rp93,724 billion. The composition of liabilities in 2019 was dominated by deposits from customers and borrowings from HSBC Hong Kong in USD, i.e. 69.85% and 16.07% of total liabilities, respectively.

Deposits from Customers

Deposits from customers reached Rp65,469 billion as of year ended 2019 which increased by 19.24% compared to 2018. The increase was mainly contributed by increased in deposits and deposit on call balance by Rp7,388 billion. Ratio of Demand Deposit and Saving Accounts over Time Deposits was 62% : 38%.

Deposits from Customers	2019		2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Demand Deposits	27,964	42.71%	24,961	45.46%	3,003	12.03%
Saving Accounts	12,399	18.94%	12,228	22.27%	171	1.40%
Time Deposits and Deposits On Call	25,106	38.35%	17,718	32.27%	7,388	41.70%
Total	65,469	100.00%	54,907	100.00%	10,562	19.24%

Financial Performance Review

Demand Deposits

By currency type, demand deposits in Rupiah has the largest contribution of 64.56% or Rp18,054 billion.

Currency	2019		2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Rupiah	18,054	64.56%	15,444	61.87%	2,610	16.90%
Foreign currency	9,910	35.44%	9,517	38.13%	393	4.13%
Total	27,964	100.00%	24,961	100.00%	3,003	12.03%

Saving Accounts

The balance of savings on 31 December 2019 amounted to Rp12,399 billion. The composition of savings accounts was dominated by savings in foreign currency with the contribution of 61.63% of total saving accounts.

Currency	2019		2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Rupiah	4,758	38.37%	4,840	39.58%	(82)	-1.69%
Foreign currency	7,641	61.63%	7,388	60.42%	253	3.42%
Total	12,399	100.00%	12,228	100.00%	171	1.40%

Time Deposits & Deposits On Call

Based on the contractual period, in 2019, the largest composition of time deposits was in the category time band of one month at 73.15%.

Maturity	2019		2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
1 month	18,366	73.15%	2,456	13.86%	15,910	647.80%
3 month	2,743	10.93%	9,856	55.63%	(7,113)	-72.17%
6 month	2,934	11.69%	2,376	13.41%	558	23.48%
12 month	1,063	4.23%	3,030	17.10%	(1,967)	-64.92%
Total	25,106	100.00%	17,718	100.00%	7,388	41.70%

Equity

At the end of 2019, the Bank's equity was Rp18,136 billion, increased by Rp2,480 or 15.84% compared to prior year. This increase was in line with the increase in Bank's net profit. Equity's growth gives positive contribution to Bank's capital with CAR stood at a healthy level of 23.65%.

Equity Composition	31 December 2019	31 December 2018	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/(loss) - net	81	(88)	169	-192.05%
Retained earnings:				
- Appropriated	26	17	9	52.94%
- Unappropriated	7,185	4,883	2,302	47.14%
Total Equity	18,136	15,656	2,480	15.84%

Statement of Profit or Loss and Other Comprehensive Income

Description	31 December 2019	31 December 2018	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Interest Income	6,197	5,976	221	3.70%
Interest Expenses	(2,217)	(1,796)	(421)	23.44%
Net Interest Income	3,980	4,180	(200)	-4.78%
Fees and commission income	1,312	1,401	(89)	-6.35%
Other operational income	1,837	903	934	103.43%
Impairment losses on financial assets - net	(671)	(1,316)	645	-49.01%
Total operating income	6,458	5,168	1,290	24.96%
Total operating expenses	(3,418)	(3,903)	485	-12.43%
Profit before tax	3,040	1,265	1,775	140.32%
Income tax expenses	(729)	(371)	(358)	96.50%
Net profit of the year	2,311	894	1,417	158.50%
Other comprehensive income/(loss)	168	(103)	271	-263.11%
Total comprehensive income for the year	2,479	791	1,688	213.40%

Interest Income

Interest income grew by 3.70% reaching Rp6,197 billion in 2019 was mainly a result of higher average loan balances in 2019 as compared to 2018 despite slightly lower loans period end balances on a year-on-year basis. In 2019, interest income from loans to customers contributed to 80.72% of the total interest income or Rp5,002 billion.

Interest Income Composition

Interest Income	2019		2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Loan to customers	5,002	80.72%	4,566	76.40%	436	9.55%
Investment securities	894	14.43%	999	16.72%	(105)	-10.51%
Securities purchased with agreement to resell	58	0.94%	132	2.21%	(74)	-56.06%
Placement with Bank Indonesia	41	0.66%	61	1.02%	(20)	-32.79%
Loans and advances to banks	9	0.14%	22	0.37%	(13)	-59.09%
Demand deposits with Bank Indonesia	4	0.06%	14	0.23%	(10)	-71.43%
Others	189	3.05%	182	3.05%	7	3.85%
Total	6,197	100.00%	5,976	100.00%	221	3.70%

Interest Expenses

Interest expenses in 2019 amounted to Rp2,217 billion, increased by 23.44% or Rp421 billion. The increment was mainly contributed by interest expenses from Time Deposits and Deposit on Call which increased by 22.86% or by Rp190 billion in line with the Time Deposits and Deposit on Call growth in 2019. In addition, interest expenses from borrowings and subordinated debt increased by Rp139 billion was mainly due to higher average borrowing balance in 2019.

Financial Performance Review

Interest Expenses	2019		2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Demand deposits	365	16.46%	372	20.71%	(7)	-1.88%
Saving accounts	70	3.16%	69	3.85%	1	1.45%
Time deposits and deposits on call	1,021	46.05%	831	46.27%	190	22.86%
Borrowings and subordinated debt	638	28.78%	499	27.78%	139	27.86%
Others	123	5.55%	25	1.39%	98	392.00%
Total	2,217	100.00%	1,796	100.00%	421	23.44%

Net interest income

As of 31 December 2019, the Bank managed to book a net interest income of Rp3,980 billion. To maintain net interest income, the Bank has proactively reviewed the Bank's funding composition on a regular basis so that funding costs can be controlled as well as the NIM level can be maintained at an optimum level.

Non-Interest Income

In 2019, non-interest income amounted to Rp3,149 billion. Higher non-interest income was mainly contributed by higher trading revenue from Global Markets, in line with improving market condition resulting from Indonesia's credit rating upgrade by S&P in May 2019 and one-off tax related item.

Non-Interest Income	2019		2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Net fees and commissions income	1,312	41.66%	1,401	60.81%	(89)	-6.35%
Other operating income	1,837	58.34%	903	39.19%	934	103.43%
Total	3,149	100.00%	2,304	100.00%	845	36.68%

Impairment losses on financial assets - net

As of 31 December 2019, the impairment losses of financial assets amounted to Rp671 billion. This expenses decreased as a result of the Bank's continuous efforts in monitoring its NPL ratio and undertaking preventive measures as well as corrective actions to maintain the level of NPL in accordance to the Bank's risk appetite.

Operating Expenses

During 2019, operating expenses amounted to Rp3,418 billion. Employee expenses accounted for 57.02% of the total operating expenses.

Bank continuously strive to manage cost in an effective and efficient manner in order to support sustainable growth. Lower operating expenses by Rp485 billion in 2019 was mainly contributed by lower general and administrative expenses as a result of a one-off tax related expense in 2018 and in line with the result of prudent cost management in the Bank.

Operating Expenses	2019		2018		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Employees expenses	1,949	57.02%	1,877	48.09%	72	3.84%
General and administrative expenses	1,112	32.53%	1,805	46.25%	(693)	-38.39%
Depreciation expenses of properties and equipment	300	8.78%	165	4.23%	135	81.82%
Amortisation expenses of intangible assets	57	1.67%	56	1.43%	1	1.79%
Total	3,418	100.00%	3,903	100.00%	(485)	-12.43%

Profit Before Tax

In 2019, the Bank booked a profit before tax of Rp3,040 billion. Profit before tax increased from the previous year due to lower impairment losses on financial assets in line with relatively improved credit risk, also increase of other operating income compared to the previous year as explained earlier.

Net Profit

In 2019, the Bank's net profit reached Rp2,311 billion, increased by Rp1,416 billion or 158.21% in line with increase in profit before tax as explained earlier. This increase has contributed favorably to the increase in CAR from 20.79% to 23.65% in 2019.

Statement of Comprehensive Income

The Bank recorded comprehensive income of Rp2,479 billion in 2019, increased by Rp1,688 billion in line with the increased of net profit. The statement of comprehensive income is as below.

Description	31 December 2019	31 December 2018	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Net profit for the year	2,311	895	1,416	158.21%
Other comprehensive income:				
Available-for-sale investments				
- Profit/(Loss) during the year	196	(117)	313	-267.52%
Remeasurements from post-employment benefits obligation:				
- Actuarial (loss)/profit during the year	(28)	13	(41)	-315.38%
Other comprehensive income/(loss), net of tax	168	(104)	272	-261.54%
Total Comprehensive Income for the Year	2,479	791	1,688	213.40%

Statement of Cash Flows

Description	31 December 2019	31 December 2018	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Cash from Operating Activities	7,944	(5,528)	13,472	-243.70%
Cash from Investing Activities	(2,209)	788	(2,997)	-380.33%
Cash from Financing Activities	(4,388)	5,921	(10,309)	-174.11%
Net Increase in Cash and Cash Equivalent	1,347	1,181	166	14.06%
Effect of Foreign Exchange Rate Fluctuation on Cash	(147)	300	(447)	-149.00%
Cash and Cash Equivalent, 1 January	18,286	16,805	1,481	8.81%
Cash and Cash Equivalent, 31 December	19,486	18,286	1,200	6.56%

At the end of 2019, the Bank recorded a final balance of cash and cash equivalents of Rp19,486 billion.

Cash flows from Operating Activities

Net cash from operating activities in 2019 amounted to Rp7,944 billion, as compared to -Rp5,528 billion net cash used in operating activities in 2018. The increase in cash from operating activities mainly was due to increase in cash inflow from customer deposits.

Cash flows from Investing Activities

Net cash provided by investing activities in 2019 amounted to -Rp2,209 billion, a decrease of 380.33% from cash flow for investment activity in 2018. The decrease in cash flow from this investment activity was due to decreasing cash inflow from maturity of investment securities.

Financial Performance Review

Cash flows from Financing Activities

Net cash provided by financing activities in 2019 amounted to -Rp4,388 billion, a decrease of 174.11% from cash flows from financing activities in 2018. The decrease in cash flows from financing activities was due to borrowings repayment in 2019.

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 Macroprudential Intermediation Ratio (RIM), Liquidity Coverage

Ratio (LCR), and Net Stable Funding Ratio (NSFR). RIM describes customer deposits and long term borrowing used for financing loans to customers and the Bank's RIM ratio as of 31 December 2019 was 89.05%.

Besides RIM, to measure liquidity in fulfilling obligations as they mature, the Bank also uses NSFR ratio to monitor funding risk and LCR to monitor liquidity risk daily. The Bank's NSFR and LCR ratio as of 31 December 2019 were 152.65% and 516.92%, respectively, which indicates a strong liquidity position of the Bank.

Liquidity Ratio

Description	2019	2018
Macroprudential Intermediation Ratio (RIM) ^{*)}	89.05%	124.71%
Liquidity Coverage Ratio (LCR)	516.92%	379.02%
Net Stable Funding Ratio (NSFR)	152.65%	150.29%
Low-cost fund Ratio	61.65%	67.73%

^{*)} previously called LDR (Loan to Deposit Ratio), which changed to RIM in accordance to Governor Members Regulation No. 20/11/PADG/2018 as of 31 December 2018 and Governor Members Regulation No. 21/22/PADG/2019 as of 31 December 2019.

To measure the ability to meet Bank's liabilities, the Bank uses solvency ratio by comparing liabilities over total assets and liabilities over equity.

Solvency Ratio

Description	2019	2018
Ratio of Liabilities to Total Assets	83.79%	85.63%
Ratio of Liabilities to Equity	516.78%	595.97%
Leverage ratio	13.82%	13.08%

Other Material Information

Ability to Pay Debt and Loan Collectability

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. Considering strong liquidity and solvency ratios up until the end of 2019, the Bank demonstrated its ability to meet all the debt payment.

At the end of 2019, the Bank's liquidity level as measured by the Macroprudential Intermediation Ratio (RIM) was 89.05%. The Bank always maintains the balance between the funding needs and the provision of funds. Bank also diversifies its funding by obtaining long-term borrowing to support the Bank's liquidity.

The Bank's CAR ratio as of 2019 was 23.65%. This indicates the structure of the Bank's capital is sufficient to meet credit risk, market risk, and operational risk as the ratio is significantly higher than the minimum capital adequacy ratio set by Bank Indonesia that is 9%-10%.

Loan Collectability

The Non Performing Loan (NPL) gross ratio as of 31 December 2019 was 2.52%. The Bank's NPL-net ratio was at 1.22%.

Capital Structure and Management Policy on Capital Structure

The Bank calculates the capital requirement as of 31 December 2019 based on the Financial Services Authority Regulation (POJK) No. 11/POJK.03 /2016 regarding "Minimum Capital Adequacy Requirement for Commercial Banks" enacted in 2 February 2016 and as amended by POJK No. 34/POJK.03/2016. 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.

Risk Weighted Assets (RWA) of the Bank is determined based on predetermined requirements reflecting various levels of risks associated with assets and exposure, which are not reflected in the statement of financial position. 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 as industries' standards for measuring capital adequacy. The Financial Services Authority (OJK) 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 risk profile.

In addition, Bank has also formed buffers to comply with OJK regulation regarding requirements on conservation buffer, countercyclical buffer and capital surcharge for Domestic Systemically Important Bank (D-SIB).

The provision of minimum capital mentioned is stipulated as follows:

1. For banks that are ranked 1st on risk rating profile, the lowest required minimum capital is 8% (eight percent) of the RWA;

Other Material Information

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

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 2019 are as follows:

MINIMUM CAPITAL ADEQUACY	
Tier 1 CAPITAL	
	31 December 2019
Share Capital	10,586
Additional paid-in capital	258
General reserve	26
Retained earnings	4,874
Profit for the period	2,311
Other comprehensive income	133
Negative differences between regulatory provision and allowance for impairment losses on productive assets	-
Non-earning asset provision that should be calculated	(43)
Deferred tax calculation	(275)
Other intangible assets	(137)
Tier 2 CAPITAL	
Capital instrument such as shares, subordinated debts or others meeting the requirement of Tier 2 capital	1,041
General allowance for earning assets	893
Total Capital	19,667
RWA	
Credit risk	71,418
Market risk	3,145
Operational risk	8,584
Total RWA	83,147
Capital Adequacy Ratio	23.65%
CET 1 Ratio	21.33%
Tier 1 Ratio	21.33%
Tier 2 Ratio	2.33%
Capital Conversion Buffer	2.50%
Countercyclical Buffer	0.00%
Domestically Systemically Important Bank	1.00%
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 2019 by using the risk profile position of June 2019.

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 2019, the Bank's CAR was at a level above the mandatory minimum capital at 23.65% which was above the mandatory minimum capital of 9% to less than 10%.

Transactions with Affiliated Parties

During 2019, there were no material transactions with conflict of interest.

The details of the relationship and type of transactions with related parties as of 31 December 2019 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

Other Material Information

Related party	Nature of relationship	Type of transaction
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 2019, AGMS determined not to share dividend.

Employee Share Ownership Programme

During 2019, the Bank did not implement the employee share ownership programme.

Significant Changes in Laws And Regulations Affecting the Bank

In 2019 there were regulations issued by the Financial Services Authority (OJK) and Bank Indonesia (BI), both new and changes to regulations that affected the company's performance. In total there are 61 regulations consisting of 19 OJK and 42 Bank Indonesia regulations published, which have been socialized to the Bank internally and specifically followed up by related parties, including regulations concerning:

- Implementation of Internal Audit Function for Commercial Banks
- Implementation of Continued Education Programme for Underwriters' Representatives and Broker-Dealer Representatives
- Precautionary Principle in Asset Securitization Activities for Commercial Banks
- Commercial Banks Reporting Through Financial Service Authority (OJK) Reporting System
- Reappraisal of the Main Parties of Financial Services Institution
- Licensing of Selling Agent Representatives for Mutual Funds
- Amendment of OJK Regulation No. 12/POJK.01/2017 on the Programme Implementation of Anti Money Laundering and Terrorism Funding Prevention in Financial Services
- Reporting Foreign Customer Information Regarding Taxation to Partner Country or Partner Jurisdiction
- Electronic Licensing in the Financial Services Sector
- Approval of Commercial Banks as Custodians

- Obligation to Fulfill Commercial Banks Leverage Ratio
- Submission of Reports Through the Integrated Reporting Portal
- Amendment to POJK No. 32/POJK.03/2018 on Legal Lending Limit and Provision of Large Funds for Commercial Banks
- Implementation of Anti-Fraud Strategy for Commercial Banks
- Assessment of Commercial Banks Asset Quality
- Transparency and Publication of Bank Reports
- Merger, Consolidation, Acquisition, Integration and Conversion of Commercial Banks
- Monitoring of Foreign Exchange Movement Activities
- Integrated Commercial Bank Report from Bank Indonesia
- Providers of Electronic Trading Platform
- Loan to Value Ratio for Property Loans, Financing to Value Ratio for Property Financing, and Down Payment for Credit or Automotive Loans
- Standardization of Competencies on Payment System and Rupiah Management

Changes in Accounting Policies Implemented in 2019

Except as described below, the accounting policies applied are consistent with those of the financial statements for the year ended 31 December 2019, which conform to the Indonesian Financial Accounting Standards.

The following issuance of revision of accounting standards that are effective as at 1 January 2019 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.

- ISFAS 33: "Foreign Currency Transactions and Advance Consideration";
- ISFAS 34: "Uncertainty over Income Tax Treatments";
- Annual improvement 2018 "SFAS 22 Business Combination";
- Annual improvement 2018: "SFAS 26 "Borrowing Costs";

- Annual improvement 2018: "SFAS 46 "Income Taxes";
- Annual improvement 2018: "SFAS 66 "Joint Arrangements";
- Amendments to SFAS 24: "Employee Benefits: Plan Amendment, Curtailment or Settlement".

New standards, amendments and interpretations issued but effective for the financial year beginning 1 January 2019 are as follows:

- SFAS 71: "Financial Instruments"
- SFAS 72: "Revenue from contract with customers"
- SFAS 73: "Leases"
- Amendment to SFAS 62: "Insurance contract" Applying SFAS 71: "Financial Instruments" to SFAS 62 "Insurance contract".
- Amendment to SFAS 15: "Long-term interests in associates and joint ventures"
- Amendment to SFAS 71: "Prepayment features with negative compensation"

Except as described below, at the time of issuance of the financial statements, the Bank is still evaluating the possible impact of the adoption of the above new standards, amendments and interpretations and its influence on the Bank's financial statements.

The following accounting standards will become effective on 1 January 2020 but the Bank decided to early adopt the standards starting from 1 January 2019:

- SFAS 73 'Leases'

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 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 early adopted this standard on 1 January 2019 using a modified retrospective approach. The implementation has increased assets and increased financial liabilities by the same amount with no effect on net assets or retained earnings.

- SFAS 72 'Revenue from Contracts with Customers'.

SFAS 72 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied.

The Bank has early adopted the standard on 1 January 2019. Bank early adopted the standard on a 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 of the standard for the Bank is limited to fee revenue arising from contracts with customers, and that the current recognition of fee and commission income is consistent with the new standard and there is no transitional impact to the opening balance of retained earnings.

Business Support Review

HUMAN RESOURCES

In 2019, the Bank continued to invest in human resources capabilities to support the Bank's growth aspirations in Indonesia. The Human Resources (HR) department achieves this by adapting and aligning with market changes, and by making continuous improvements to policy, governance and people risk management to deliver an outstanding people experience

Employee Profile

The Bank has 3,797 employees as of 31 December 2019, 11.70% lower compared to the previous year.

The composition of Human Resources as of 31 December 2019 was as follows:

Employees Composition based on Educational Level

Education	2019		2018	
	Number of Employees	Percentage	Number of Employees	Percentage
Doctoral Degree	3	0.08%	3	0.07%
Master Degree	215	5.66%	240	5.58%
Bachelor Degree	3,404	89.65%	3,631	84.44%
Diploma 3	132	3.48%	208	4.84%
Diploma 1	7	0.18%	35	0.81%
Senior High School	36	0.95%	183	4.26%
Total	3,797	100.00%	4,300	100.00%

In 2019, more than 95% of staff holding Bachelor degree or higher, increased by 5 percent compared to the previous year. The increase was caused the higher demand for qualified and highly educated resources.

Employees Composition by Age

Age	2019		2018	
	Number of Employees	Percentage	Number of Employees	Percentage
18-30 years old	1,312	34.55%	1,641	38.16%
31-40 years old	1,560	41.09%	1,711	39.79%
41-50 years old	805	21.20%	827	19.23%
Above 50 years old	120	3.16%	121	2.82%
Total	3,797	100.00%	4,300	100.00%

In 2019, the employee composition was still dominated by the productive and dynamic young generation. More than 75% of the employees were under 40 years. The composition was relatively stable compared to the previous year.

Employees Composition by Organisation Level

Organisation Level	2019		2018	
	Number of Employees	Percentage	Number of Employees	Percentage
Top Management	8	0.21%	8	0.19%
Middle Management	136	3.58%	152	3.53%
Lower Management	815	21.46%	881	20.49%
Staff and Others	2,838	74.74%	3,259	75.79%
Total	3,797	100.00%	4,300	100.00%

Based on the data above, on average each Manager heads 5 or 6 staff, compared to the recommended ratio of 1 manager to 8 staff for an efficient and effective organizational structure

Employees Composition by Employment Status

Employment Status	2019		2018	
	Number of Employees	Percentage	Number of Employees	Percentage
Permanent Employee	3,264	85.96%	3,649	84.86%
Contract Employee	533	14.04%	651	15.14%
Total	3,797	100.00%	4,300	100.00%

In 2019, the number of Bank's Contract Employees decreased from 651 to 533, mostly due to the completion of temporary jobs.

Employees Composition by Gender

Gender	2019		2018	
	Number of Employees	Percentage	Number of Employees	Percentage
Male	1,706	44.93%	1,910	44.42%
Female	2,091	55.07%	2,390	55.58%
Total	3,797	100.00%	4,300	100.00%

In 2019, the composition of HR based on gender did not change significantly. Female employees outnumber male employees, by 55.07% to 44.93%, proving there are extensive opportunities for female employees to pursue a career in the Bank.

Implementation of Remuneration Policy Including Material Risk Takers 2019

The Bank implemented remuneration policy aligned with good corporate governance principle, including the identification of Material Risk Takers (MRT) and the deferred variable remuneration for MRT in support of prudent risk taking.

Business Support Review

Performance Management 2019

Performance management is a year-round continuous activity which guides the way the Bank works. It is a key component in driving business outcomes and developing performance, behaviours, and careers. In 2019, we refreshed the performance management policy focusing on Everyday Performance & Development (EPD) that reinforce continuous dialogue between employees and their manager throughout the year to enhance performance and support development and well-being. Employee scorecards include a mandatory financial crime risk (FCR) objective (in addition to the existing risk objective) to support the prevention of financial crime.

Year-End Pay Review Related Changes 2019

Streamlined Variable Pay (SVP) is a simpler, fairer, and more transparent approach to discretionary variable pay, which for performance year 2019 was extended to cover junior roles in commercial banking and global banking and markets. SVP will provide a greater transparency to employees as variable pay will be awarded in a consistent manner based upon the matrix of their performance and behaviour ratings.

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

Employee Recruitment

By the end of 2019, the Bank have recruited 748 permanent staff and direct contract employee. There were 4 critical roles that were hired in 2019: Finance Director, Head of Internal Audit, Head of International and Subsidiary Banking, and Head of Wealth Development & Wealth Sales.

In 2019, R&O focused on optimizing HBID brand awareness, including the following initiatives:

- The Bank participated in career events to promote opportunities and recruit more young talent to be internal successor. The Bank has received around 10,000 CVs and successfully recruited 32 full-time employees from this campaign.
- The Bank conducted a satisfaction survey involving candidates and hiring managers. In 2019 the Bank achieved score of 4 out of 5.

Human Resources Development Strategy 2019

In 2019, HR development strategies focused on three (3) key areas:

- To plan HR requirements to support the achievement of the Bank's future strategy.
- To groom, retain, and reward key talents.
- To develop local talents from an early stage to prepare them for future managerial requirements.

Training and Development 2019

The Bank regularly and continuously develops training and development programmes to improve employee competencies. To support the achievement of Bank's business strategy, the programmes technical competencies, soft skills, leadership education, and in-house training to meet specific needs.

Training and development programmes are grouped as follows:

- Business or role specific technical and functional competency. This focuses on the competencies that are required by employees to do their jobs and perform their duties efficiently and effectively.
- Leadership competency:
The programme focuses on leadership and managerial topics, for employees in leadership roles.
- Regulatory certification:
The programme covers risk management, wealth management, capital market, insurance, and treasury certification aligned to roles of employees.
- General competency:
The programme covers general competencies including the culture, values and attitudes that must be demonstrated by all employees.

The Bank conducts training and development programmes by holding following activities:

- Seminar, workshop, and conference.
- Training and certification programmes mandated by regulators and the Bank, including Global Mandatory Training (GMT), Financial Crime and Compliance (FCC), Global Standard and Risk Management Certification, Treasury Certification, WAPERD, AAJI, and WPPE.

- English Language training programme.
- Induction programme for new employees.
- Socialisation programmes held internally and externally which cover products, processes, systems and procedures, policies and provisions.
- Introduction to the Corporate Culture programme.
- Early talent identification programme for the best fresh graduates through Global Graduate Programme (GGP) and Corporate Functions Graduate Programme (CFGP).

In 2019, the Bank conducted development programmes for 4,811 employees, with a total of 98,403 training hours. On average each employee received 3.53 training days in 2019.

Number of Employee	Number of Training Hours	Training Hours per Employee	Number of Training Participants	Number of Trained Staff
3,977	98,403	24.74	69,177	4,811

Participants numbers by training type:

Training Type	Total
INTERNAL TRAINING:	93,428
Assessment	3,783
E-learning	36,857
ILT	51,704
VILT	1,083
EXTERNAL TRAINING:	4,976
Total	98,403

Training for the Board of Commissioners and Board of Directors

Members of the Board of Directors and Board of Commissioners participated in several training programmes in 2019, to build competencies and support them in carrying out their duties and responsibilities. Training covered the following:

Training	Organizer	Time and Venue
Board of Commissioners		
Anti Money Laundering	HSBC University	18 Jan 2019
Sanctions	HSBC University	18 Jan 2019
Data Privacy and Cyber Security	HSBC University	18 Jan 2019
Risk Management Certification for Commissioner	LSPP	2 Mar 2019
HSBC and Me	HSBC University	29 Oct 2019
Fighting Financial Crime	HSBC University	21 Nov 2019

Business Support Review

Training	Organizer	Time and Venue
Board of Directors		
BARa Risk Forum “PSAK 71 Impairment Deep Dive in Risk Management Perspective”	BARa	28 - 29 Mar 2019
Risk Management Refresher “Managing Operational Risk in Digital Era”	LSPP	4 Dec 2019
FKDKP : “Prospek dan Tantangan Ekonomi 2020”	FKDKP	19 Dec 2019
Operational Risk Workshop	Risk Management Department	18 Oct 2019
Leading Business and Functions	HSBC University	17 Oct 2019
Building Financial Crime Capability	HSBC University	Oct - Nov 2019
HSBC and Me	HSBC University	Apr - Jun 2019
Fighting Financial Crime	HSBC University	July - Sep 2019
Values, Conduct and Me	HSBC University	Oct - Dec 2019

Global Mandatory Training (GMT)

Global Mandatory Training (GMT) helps us understand our Global Principles, the cornerstone of who we are and how we operate. In particular, GMT looks at the key risks we face as a bank and how to manage them effectively, so that we can provide the right outcomes for our customers and stakeholders.

Overview GMT Calendar 2019

Trimester 1/2019 Apr - Jun	Trimester 2/2019 Jun - Sep	Trimester 3/2019 Sep - Nov
HSBC and Me HSBC and Me introduces our Principles and covers the following topics: <ul style="list-style-type: none"> • Risk Management • Health, Safety and Wellbeing • Data Privacy and Cyber Security 	Fighting Financial Crime Fighting Financial Crime comprises some of key risk subjects within the headings of Regulatory Compliance and Financial Crime Compliance. The learning and assessment subjects in this Trimester period cover the top and emergent risks that impact: <ul style="list-style-type: none"> • Anti-Bribery and Corruption • Anti-Money Laundering and Sanctions 	Values, Conduct and Me Trimester 3 focusses on one of our Principles: Values and Conduct. How we do business is as important as what we do. We expect everyone at HSBC to reflect our values in how they behave and in this trimester covers: <ul style="list-style-type: none"> • Conduct • Competition Law • Insider Risk
Assign 8 April - Complete 7 June	Assign 29 July - Complete 27 Sept	Assign 16 Oct - Complete 15 Dec

Financial Crime Risk Training Programme

The Bank organised a number of development programmes relevant to Financial Crime Risk, with the objective of:

- Fighting financial crime in the society and economic system where the Bank operates.
- Increasing employee awareness of the FCRM framework that reflects the customer relationship cycle with the Bank.

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

- **Building Financial Crime Capabilities (BFCC)**
 BFCC is a part of the Bank's high risk role training programmes which started in 2015 with Anti Money Laundering (AML) and Sanctions. During 2019, the BFCC training programme consisted of 29 curricula, assigned to 2,323 employees from each business and function. 94% of assigned staff completed the training.

- Anti Bribery & Corruption (AB&C) training for High Risk Role (HRR)

This is a new high risk role training programme first implemented in September 2018. In 2019, the AB&C HRR Training was refreshed for deployment in 2020.

Leadership Programme	Global Business	Global Functions	HOST	CMS&O	Total
Leading Others Series					
People Management Essentials	47	25	49	1	122
Hiring Essentials	302	51	54	-	407
Coaching for Performance	18	-	-	-	18
Team Management Essential	33	18	22	-	73
Leadership Essentials	49	40	27	-	116
Leaders as Teachers	2	6	7	1	16
Leading a Business or Function Series					
Leading with Impact	3	2	-	1	6
Leading Business and Functions	-	2	1	-	3
Total	454	142	159	3	758

HSBC Leadership Training Programme 2019

The Bank has several flagship leadership training programmes, some of which are part of the HSBC University programme. In 2019, the number of employees participated reached 758.

Banking Certification Programme 2019

To ensure compliance with the banking certification requirement established by the Financial Services Authority (OJK), the Bank has conducted the following:

- **Risk Management Certification**
1,226 employees have been certified for risk management in accordance with their roles. In 2019, 503 officials and employees attended risk management certification examination and refresher training.
- **Treasury Certification**
Since 2017, OJK requires banks to implement the treasury certification in accordance with the provision of PBI 19/5/ PBI 2017. During 2019, 25 Global Market employees have completed their treasury certification.
- **WAPERD Certification**
WAPERD certification is mandatory requirement for RBWM sales employees who market the mutual fund products. 64 new RBWM sales employees completed their WAPERD certification in 2019, bringing the total certified RBWM sales staff to 364.
- **AAJI Certification**
The AAJI certification is required for RBWM sales employees who markets bancassurance products. 43 new RBWM sales employees completed their AAJI certification during 2019, bringing the total certified RBWM sales staff to 383.
- **WPPE Certification and Bond license for Retail and Treasury.** 319 employees completed their WPPE certificates during 2019.

Business Support Review

The table below provides details of regulatory certifications held by the employees:

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	115	57	358	294	73	897
SMR Level 2	185	39	197	98	91	610
SMR Level 3	60	36	49	24	96	265
SMR Level 4	11	5	8	6	31	61
SMR Level 5	1	2	1	1	3	8
SMR Refresher Programme	51	23	54	26	55	225
Treasury Certification						
Treasury Level Basic	-	18	-	-	-	18
Treasury Level Intermediate	-	5	-	-	-	5
Treasury Level Advance	-	2	-	-	-	2
WAPERD Certification	-	-	364	-	-	364
AAJI Certification	-	-	383	-	-	383
WPPEP Certification	-	11	308	-	-	319

Training and Development Expenses 2019

The Bank spent Rp 67,444 billion on training and development in 2019, 3.57% of total staff cost.

Description	2019 (in Rp Million)
Realisation of Training Cost	67,444
Realisation of Staff Cost	1,887,391
Training Cost against Staff Cost Ratio	3.57%

TECHNOLOGY & OPERATIONS

Strategy & Implementation in 2019

In 2019, the Bank continued developing its hardware, software, and operational processes to meet regulatory obligations, support business growth, reduce operating expenses, improve customer experience, and manage risks to the highest standards.

Digitisation and Streamlining

The Bank made improvements to retail and small business customer onboarding journeys, achieving faster account opening through digital data capture, automated back-office processing and connectivity to external data (DUKCAPIL) for customer verification.

The Bank has driven several enhancements to the Wealth Management platform, resulting in a better, faster experience for wealth management customers. One hundred and eighty Wealth Relationship Managers are now with a tablet-based wealth management sales platform. Internet Banking has been enhanced to enable customers to complete their investment risk profile questionnaire online. A simplified online sales journey also automates product selection for existing mutual fund customers.

The Bank automated the process for registering customer to use the Evolve platform to book foreign exchange transactions. To improve the wholesale banking platform, the Bank implemented a new receivables finance system to automate processes and speed up fulfilment for customers. In addition, the Bank launched a Digital Account Receivables Tool ("DART") to enable clients to exchange open invoice and payment information with buyers via web portal, reducing friction for both buyers and suppliers.

Other operational process improvements include enhancements to the payment services workflow system, a new credit services tracking tool for security documentation and covenant assessments, a new workflow tool to support faster and more accurate client due diligence, and the digitisation of account opening applications for large corporate clients using an online portal. These initiatives improve customer experience by reducing processing time, reducing manual intervention and increasing accuracy.

The Bank is committed to reducing paper consumption by promoting the use of electronic channels and communication: the ratio of electronic to paper banking statements doubled compared to the year before.

Compliance

The Bank continues to ensure that data, systems, and processes comply with the latest regulations.

There were several enhancements to the Bank's reporting capabilities, including local tax reporting, internal IFRS 9, and regulatory interest rate risk reporting.

The Bank enhanced its ability to track supporting documents required for foreign exchange transactions, meeting Bank Indonesia regulations on transfers to non-residents.

The Bank also implemented an instant messaging platform for Global Market staff, enabling secure, compliant, real-time communication.

Risk Management

The Bank continues to invest in infrastructure and processes to manage financial and non-financial risks:

Money Laundering and Sanctions

The Bank continues to invest in its capabilities to detect, deter and prevent financial crime. Enhancements include the ability to view international linkages for Commercial Banking clients, enabling better coordination of cross-border risk mitigation; and automating the ingestion of terrorist and weapons proliferation watchlists into screening of customers and connected parties. The Bank has also implemented real-time screening at the point of onboarding, improving the speed and accuracy of screening and reducing the time taken to open new customer accounts.

Anti-Bribery and Corruption

The Bank enhanced its Gifts & Entertainment tracking, in support of a zero-tolerance approach to bribery and corruption.

Fraud Risk

The Bank upgraded its anti-fraud capabilities, providing real-time fraud monitoring of debit card, internet banking and manual transactions. HSBC-issued VISA and Mastercard are now more secure thanks to advanced customer authentication capabilities.

Business Support Review

Credit Risk

The Bank enhanced its collection system, applying a behavioural scorecard to credit limit increases, decreases and authorisations. The improvements are expected to result in an increase in balances and reduction in write-offs.

Cybersecurity

Recognising the importance of resilience against cyber threats, the Bank collaborated with HSBC Group in conducting the Cyber Security Maturity Improvement Programme (CSMIP). This enhanced the Bank's anti-malware capability, data leakage protection, and ability to detect and deter cyberattacks. The Bank received an award from Badan Siber dan Sandi Negara as the Best Bank for Cyber Risk Management in Internet Banking and Mobile Banking.

Operational Resilience

The Bank successfully tested critical systems and business continuity plans, demonstrating our ability to respond to events and serve business and customers in contingency situations. This was supported by training for senior staff on responding to major incidents.

The Bank continues to renew ("evergreen") its software and hardware, to ensure that internal and external services work properly, and to minimise the risk of service disruption to customers.

Human Resources

The Bank is committed to building staff competence through a combination of training, development programmes and international exposure. Training includes both formal and informal approaches focused on technical and soft skills. Throughout 2019, the IT and Operations departments participated in the Country Graduate Programme to develop fresh talent into future leaders. The Bank continues to leverage its relationship with HSBC Group to offer international exposure to staff through short term attachments to teams in other countries, where the number of overseas days (including training and attachments) across IT and Operations has increased more than 13 times since integration in 2017.

The Bank continued to drive its policy of Open Work: more workplace flexibility fosters staff collaboration, greater workspace efficiency and improved business continuity capabilities.

Plan & Strategy in 2020

Continuous enhancement of IT platform

The Bank continues to improve its capacity, systems, and infrastructure to meet current and future business demand. This includes ongoing consideration of emerging technologies such as Cloud, APIs and BlockChain.

Digitisation and streamlining

The Bank will continue to streamline processes via automation, migrating customers to electronic channels, upgrading the Mobile banking platform and exploring greater use of digital identity and digital signatures. These initiatives will result in greater – and more scalable – operational capacity, faster and more accurate processing, lower operational risk and better customer service.

Risk management

The Bank will develop the risk and control environment in IT and Operations by continuing to embed the Non-Financial Risk Management Framework.

The Bank will also improve system capabilities to manage and mitigate risk. These include systems to deter, detect and prevent Financial Crime; an enhanced operational risk reporting tool; an integrated regulatory reporting system; and cyber security tools to protect system integrity and customer data.

Data On-Shoring

In accordance with regulations, the Bank remains committed to maintaining a Data Centre onshore in Indonesia.

Operational Resilience

The Bank will continue to evergreen existing software and hardware to optimise service levels and enhance overall security.

Human Resources

The Bank remains committed to the development of staff knowledge, skills and service culture across IT and Operations. It will achieve this through training, development programmes, reward and recognition, and leveraging the relationship with HSBC Group to provide international exposure and knowledge sharing.

The Bank will continue to embed new methodologies such as Agile and DevOps for more efficient system development and implementation.

Risk Management

The broader business environment continued to be influenced by the effect of Indonesia's economic growth slowing during 2019, amid uncertainties in the global economy. Credit Risk and Operational Risk are expected to remain the biggest challenges in 2020. The Bank will continue to strengthen its approach to conservative risk appetite.

Risk Management Implementation

The Bank Indonesia Regulation regarding the implementation of Basel II, which will be followed by Basel III, requires improved risk management, with risk principles 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 the capability and the competence of all Bank employees in understanding all 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 Bank's risk management framework is established to identify and analyse the risks that are created from the Bank's operations, to determine appropriate risk constraints and controls and to monitor risk and compliance within pre-defined limits.

Three Lines of Defense

The Bank adopts a three lines of defence model that includes Business and Functional units as the First Line of Defence, Risk Steward units (that establish risk management policy and performs certain risk control functions including 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 efforts to implement risk management, including ensuring fulfilling existing compliance aspects of the working unit against applicable regulations and policies.

The application of the Three Lines of Defence concept that the Bank has adopted was introduced in 2013 and has now reached the expected level with further continuous development and improvement to continue to ensure adequate risk management across all Bank units.

The First Line of Defence are business and function units that have the responsibility to be the owner of risk and control and apply 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.

The Second Line of Defence represents functional units that own risk management-related policies and conduct comprehensive oversight over certain risks, for example Operational Risk, Compliance, Legal, Risk Policy, and other functional units. The Second Line of Defence may also include units that perform daily functions but have specific risk management coverage, for example the Finance Unit (for financial risks such as liquidity risk), Human Resources (for human resource risk). The Second Line of Defence serves to provide input and challenge to the First Line of Defence units in respect of their risk management, and to conduct monitoring to ensure that risk management is undertaken in accordance with their respective controls.

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 managing risk in compliance and in accordance with the Bank's policy.

Risk Management

Risk Management Working Unit (SKMR)

Risk Management Working Unit (Satuan Kerja Manajemen Risiko/SKMR) is a unit independent of operational works unit (risk taking unit) and work units that carry out the internal control function.

SKMR manages Credit Risk Management, Market Risk Management, Liquidity Risk Management, Operational Risk Management, Strategic Risk, Compliance Risk, Legal Risk, Reputation Risk, and Intra-Group Risk Management.

To support good corporate governance for the Bank, SKMR perform risk assessment and analysis to support the bank's business strategies. The main function of this unit is to undertake risk monitoring and present results to the Risk Management Committee and to prepare the Bank's risk profile and associated recommendations to Otoritas Jasa Keuangan. Head of Risk Management & Risk Regulatory Reporting reports to the Risk Director.

Authority and Responsibilities of SKMR

- Monitoring the implementation of risk management strategy as approved in the Risk Management Committee meeting or already approved by Board of Directors.
- Monitoring overall positions/exposures of risks, per type of risk or per business/functional activity.
- Conducting periodic review of the risk management process;
- Applying stress testing to find out impact of the implementation of risk management policy and strategy on performance of each operational work unit.
- Reviewing proposals of new activities and/or products submitted or developed by a particular unit. The review focuses on the Bank's ability to perform new activities/products in terms of reliability of the system and procedural safety as well as its impact on Bank's risk exposure.
- Giving a recommendation on the extent or maximum of risk exposure to be maintained by the Bank to the Risk Management Committee.
- Evaluating accuracy and validity of data used by the Bank for risk measurement.
- Preparing and submitting a risk profile report to the Risk Director and the Risk Management Committee on a quarterly basis or earlier for certain types of risk that may change rapidly in accordance with the changes in business condition.

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, and PT HSBC Sekuritas Indonesia.

Active Supervision by the Board of Directors and Board of Commissioners

In ensuring appropriate risk management oversight, the Board of Directors and Commissioners are supported by the following committees:

(i) Risk Management Committee (RMC)

The risk management process is evaluated by the Risk Management Committee who is responsible for the implementation and monitoring of overall risk management. This Committee consists of the Board of Directors, chaired by the Risk Director. The Committee has full responsibility for the establishment and implementation of enterprise-wide risk management and ensures that all risks of the Bank are properly managed.

Authority and Responsibilities of RMC

- To consider risk management key issues/common themes identified across all enterprise risk reports.
- To perform assessments and provide recommendations to the Board of Directors and/or the Board of Commissioners covering risk management policy and strategy, for improvement of risk management implementation based on evaluation, and business decisions.
- To review and resolve matters for escalation.
- To promote and cascade a supportive culture in relation to risk management and controls as well as to ensure bank's risk management practices support the conduct outcomes.

(ii) Integrated Risk Management Committee

For 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 Bank HSBC Indonesia 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 Conglomeration. The Integrated Risk Management Committee is chaired by Risk Director and comprises Board of Directors appointed as members of the Main Entity as well as the Board of Directors or designated representative of the entity included in the Financial Conglomeration.

Integrated Risk Management Committee Authority and Responsibilities:

- Establishment of Integrated Risk Management policy; and
- Refinement of Integrated Risk Management policy based on evaluation of the implementation.

(iii) Risk Oversight Committee (ROC)

The Board of Commissioners establishes the Risk Oversight Committee to ensure that the risk management framework provides 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 who can only act as Chairman of another committee under the Board of Commissioners.

Authority and Responsibilities of ROC

- To evaluate the conformity between policy on risk management and implementation of Bank's policies.
- To monitor and evaluate the performance duties of risk management committee and risk management working unit.
- To provide oversight and advice to the BOC on:
 1. Risk related matter
 2. Risk Appetite
 3. Stress Testing

4. Enterprise Risk Management Framework and Internal Control System
5. Risk Director and Risk Management Function
6. Internal Audit
7. External Audit
8. Annual Report

Adequacy of Risk Management Policies and Procedures

Overview on HSBC Indonesia Risk Management Policy

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

Risk Appetite

Risk Appetite is the type and quantum of risk that the Bank is willing to accept in achieving its medium and long-term strategic goals.

Risk Appetite enables senior management to optimally allocate capital to finance strategic growth within acceptable risk levels, while monitoring exposure, capital allocation and the cost impacts, which may lead to sub-optimal performance and returns to shareholders.

Adequacy of Risk Identification, Measurement, Monitoring and Control, and Risk Management Information System

Risk Identification

The purpose of risk identification is to identify all types of risks inherent to any functional activity that could potentially harm the Bank. This process involves proactive oversight, covering all functional activities, combining and analyzing risk information from all available sources, and analyzing risk probability and its consequences.

Risk Measurement

The implementation of risk measurement is aimed at measuring the Bank's risk profile to obtain an overview of risk management effectiveness.

Risk Management

Several items measured includes products/activity sensitivity to changes in factors influencing it, individual risk factors, and aggregate risk exposure taking into account the correlation.

Risk Monitoring

Risk monitoring is carried out to ensure that risk limits both when set and when monitored have taken into consideration loss experience, ability of capital to absorb the loss/exposures, and to ensure that positions exceeding prescribed approved limits receive immediate attention from Risk Management Work Unit, Risk Management Committee and the Board of Directors.

Risk Management Information System

As part of the risk management process, the Bank have risk management information systems to ensure that:

- Risk exposures are being measured appropriately.
- Adherence of risk management implementation to policies.
- Availability of risk management implementation realisation compared to targets set by the Bank.

Comprehensive Internal Control system

The process of implementing effective Risk Management must be equipped with a reliable internal control system. The effective implementation of the internal control system shall help the Bank's management to safeguard the Bank's assets, ensure the availability of credible financial and managerial reporting, improve the Bank's compliance with statutory provisions and regulations, and reduce the risk of loss, deviation and violation of prudential aspects.

The implementation of a reliable and effective Bank internal control system is the responsibility of all operational work units (risk-taking units) and supporting work units as well as the Internal Audit Unit (SKAI). The implementation of the internal control system must as a minimum be able to detect in a timely manner weaknesses and deviations that occur.

Risk Management Practice

Management of Eight Primary Risk Types

Below are the eight risk types faced by the Bank and its monitoring and management processes:

(i) Credit Risk

Definition

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.

Risk 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.

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

Oversight

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

Adequacy of Policies, Procedures, and Limit

Credit policies are 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. Through the annual review, business units are able to monitor and ensure that the borrowers' business operates as normal. In addition, any adverse changes in business condition can be anticipated and the deterioration of credit quality mitigated.

In addition to the establishment of policies and procedures, the Bank also sets credit limits process in accordance with the

Bank's risk appetite. The limits set are, amongst others, related to the credit approval limit authority, single group lending limit (in accordance with the regulatory LLL), industry sectors and so on.

Credit approval authority provided to customers is determined based on the amount of total 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 Legal Lending Limit (LLL) obligations in accordance with the OJK regulatory policy.

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 behaviour, business activities, and interaction with the Bank, and external information (such as rating agencies, news and media).

Business Units have the primary responsibility to accurately identify high risk debtors and to place their names on watchlists in accordance with the Bank's credit policies. Credit Approval and Risk Identification Unit 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 their watchlist status to align with changes in risk profile. This ensures that watchlist accounts which require remedial actions, adjustment of credit rating, and/or put under Special Mention are dealt with promptly, and where appropriate, transferred to Loan Management Unit for recovery actions.

Watchlists are a risk management tool that enables debtors exhibiting various levels of stress and difficulty to be escalated to senior management for action outside of 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" that includes risk appetite and risk tolerance corridors acceptable to the Bank for the current year. The Risk Appetite Statement is submitted for recommendation to the Risk Management Committee annually prior to Board of Commissioner approval.

Key indicators such as ratios related to revenue, profitability, capital, portfolio quality, liquidity, NPLs and other Bank categories are included and monitored monthly in the Risk Management Committee meeting.

Risk performance is measured and evaluated each month by comparing actual risk conditions with the Risk Appetite Statement, allowing for earlier detection and for determining necessary mitigation steps. Preventive and corrective measures are discussed and mandated in the committee which also monitors mitigation progress.

The Bank has systems and procedures to monitor 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 reviewed periodically and approved by the Board of Directors is the determination of sector/industry appetite which provides strict guidelines for credit portfolio development.

Periodic portfolio stress tests are conducted to assess the potential 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 also conducts stress testing to measure financial condition and management ability of the Bank to continue operating effectively in extreme economic conditions.

(ii) Market Risk

Market Risk is the risk on balance sheet and administrative account positions, including derivative transactions, resulting from overall changes in market conditions, including the risk of changes in option prices.

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.

Risk Management

In managing market risk, the Bank divides itself into considering interest rate risk and currency exchange rate risk.

Interest rate risk arises from holding assets and liabilities - actual or notional - with different maturity dates or re-pricing dates, creating exposure to changes in the level of interest rates. An over-lent position - assets re-pricing later than liabilities - benefits if interest rates fall and loses if interest rates rise. An over-borrowed position - liabilities re-pricing later than assets - benefits if interest rates rise and loses if interest rates fall. While the currency exchange rate arises from the foreign currency exchange fluctuation that affected Bank open position.

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 Board of Directors with recommendation from Risk Management Committee.

(iii) Liquidity Risk

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 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.

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.

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 establishes the Macroprudential Liquidity Buffer (PLM) to maintain liquidity position of the Bank, including the placing of 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 mismatches.
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 uses measurement parameters in accordance with Basel III standards to ensure the Bank's liquidity position always maintained in a safe position.

(iv) Operational Risk

Operational Risk is an increasingly significant category of risk given that 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 Assessment, Key Risk Indicator, Loss Event Database and Issue and Action Management in managing operational risks.

In the day-to-day process, operational risk oversight process is conducted by the OpR unit through their involvement in risk assessment and control risk processes conducted by risk owners, control owners together with risk stewards, supervision of the management of operational risk incidents, becoming part of the Risk Management Working Unit unit undertaking responsibilities related to the oversight of management of operational risks, providing input to the process or resolution of problems related to managing operational risks and performing operational risk analysis of new activities and products and various other operational risk management activities.

Implementation of risk management in the First Line of Defence is assisted by the function of BRCM (Business Risk and Control Manager) or CCO (Chief Control Officer), which is expected to do inherent monitoring on risk management in each unit, bridging the gap between a First Line of Defence with the Second Line of Defence.

Several Operational Risk management methods and tools have been introduced to the First Line of Defence to assist them to manage risk in their respective areas. Method introduced includes its own assessment of risk and control, implementation of risk-based control assessments conducted by BRCM/CCO, implementation of Key Indicators to improve control monitoring processes, identification of existing risk issues or

problems followed by monitoring of agreed corrective actions and management of operational risk incidents that occur from time to time. The expectation is that that the Bank will continue to developing this concept in order to improve risk management sustainably.

Along with the implementation of the Three Lines of Defence model the Operational Risk Management Framework has also been adopted to ensure more effective and efficient risk management with better clarity of the duties and responsibilities of each roleholder of operational risk management. This framework will continue to be adjusted to maintain progress and improved implementation of Operational Risk Management by the First and Second Line of Defence.

The Operational Risk Unit provides input to the First Line of Defence, and works with other Second Line of Defence units to ensure that the quality of the risk management practices implemented is in accordance with the operational risk management framework within the Bank.

Various efforts have been made so far to create a good culture in respect of operational risk and helps to reduce operational losses in accordance with the risk appetite set by the Bank for the period of 2019.

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

The approach used	31 December 2019		
	Average gross income in the last three years	Capital Expense	RWA OPR Risk
The basic indicator approach (in billion Rp)	4,578	687	8,584

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.

(v) Legal Risk

Legal Risk is the risk caused by lawsuits and/or weakness of juridical aspect which can arise from, amongst 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 entered into by the Bank not being 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

Risk Management

legal aspect analysis procedures for new products and/or activities, and also reviews the contracts and agreements between the Bank and other parties.

The legal risk management organisation undertaken by the Bank under the 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 to facilitate legal risk control, including but not limited to:

1. Having a written legal policy.
2. Carrying out legal aspects analysis of new or ongoing business activities or products, if necessary.
3. Assessing 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. Monitoring ongoing court cases.
6. Having 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.

(vi) Reputational Risk

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 partly 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.

Reputational Risk Management handles matters relating to the maintenance of customer and the public opinion in respect of 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.

Risk can also arise from various other causes including the way the bank conducts its business and provides financial services to its customers.

Factors of the perception shaping include:

- a. The impact of the reputation of bank owners and related companies.
- b. Violation of business ethics.
- c. Complexity of products and bank cooperations.
- d. Frequency, materiality and exposure of negative news of the bank.
- e. Frequency and materiality of customer complaints.

News regarding the parent company did not trigger any negative coverage about the Bank and likewise any violations of business ethics did not have a negative impact.

The complexity our products and bank cooperation is measured by the number of users of partnership products in the Retail Banking and Wealth Management (RBWM) business.

The Bank built good relationships with the 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 to highlight our capabilities, solutions and business outlook across Retail Banking and Wealth Management, Commercial Banking, Global Banking and Global Markets.

Internally, a series of risk-related campaigns were also carried out, particularly around the context of financial crime prevention and contamination of the banking system. These campaigns sought to ensure that all employees of Bank understand and can detect the risk of financial crime, which ultimately can result in an adverse reputational risk.

(vii) Strategic Risk

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.

Strategic risk management procedures implemented by the Bank includes:

1. Formulating the Bank's business plan.
2. Establishing policies to implement defined 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 assessment of factors preventing the Bank to meet targets and risk mitigation.
5. Revising initial work plans, if required, to achieve targets.

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

On a regular basis, the Board of Directors and Heads of Businesses and Support Functions of the Bank evaluate progress against the business plan and take necessary corrective actions. In the event of significant internal or external changes, the business plan will be revised at the mid year.

Every month, the Board of Directors and Heads of Businesses and Support functions review the results of Bank operations, 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 that may result in missing targets of the original business plan, corrective actions are planned, implemented and progress monitored. The Board of Commissioners also periodically monitors the Bank's business results and strategic risks faced by the Bank.

The Bank has committees that meet regularly to monitor strategic 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.

(viii) Compliance Risk

Compliance Risk refers to the risks of not complying with the applicable provisions and laws. In order to support the implementation of the compliance culture in the Bank, Compliance Unit in cooperation with the respective Business or Function reviews the fulfillment of the new regulations, performs gap analysis, set target implementations and ensures that implementation takes place. It ensures 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 under other relevant regulatory authorities.

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

- a. Consistently assess the implementation of the principles of prudence in providing loans to Large Debtors and related parties by utilising Compliance Checklist in order to prevent violations of the regulations of Legal Lending Limit (LLL), the Bank's Credit Policy, the bank's Asset Quality Assessment, the Restriction on Credit to Foreign Parties, and other provisions.
- b. Compliance Unit sits as member of the Audit Committee meeting, Risk Monitoring Committee meeting, Assets and Liabilities Committee (ALCO) meeting, Risk Management Committee meeting, and Information Technology, Operational, and Services Steering Committee meeting.
- c. Assessment on Compliance Risk in each Business and Functions as per the Operational Risk Management framework and control in HBID, including the assessment on inherent risk, implementation of control and residual risk which is performed regularly and in continuous basis.
- d. Compliance Unit (in specific to the Conduct Compliance unit) continuously performs dissemination of the importance on Conduct Compliance implementation in HBID.

Compliance Unit monitors to ensure 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.

Risk Management

Units within Risk Function

Risk Director is also supported by several units besides Risk Management Working Units overseeing the eight risks category.

Loan Management Unit (LMU)

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

Retail Banking & Wealth Management (RBWM) Risk

RBWM Risk team consists of Credit Risk Policy, Portfolio Management, MI, Analytics, Wealth Risk and Quality Assurance. Retail Risk Portfolio Management team plays a 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.

RBWM Risk also works actively with business counterparts to develop portfolio programmes and initiatives towards aligned objectives. As a risk supervisor, the role requires proactive risk management by conducting regular reviews and undertaking actions towards maintaining a healthy RBWM portfolio quality.

Operational Risk

The OpR Unit (Operational Risk) is a division under the Risk Director in charge of overseeing operational risk management at the Bank. This oversight process is undertaken by establishing an operational risk management framework, which is 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 continue to be well managed, at the level of risk acceptable to the Bank.

Information and Cyber Security Risk (ICSR)

Information Security and Cyber risk, by its nature is a risk whose occurrence the bank cannot easily fully control or mitigate. HBID seeks to minimise the exposure through implementing information and cyber security controls that extend through all businesses and functions and focus on the identification and protection of the bank's critical assets as well as the capability to detect, respond and recover from incidents.

Risk Business Management

Risk Business Management is a division within Risk Management organisation that leads or owns business planning activities including financial, technology and resource planning and people strategies to support the implementation of and maintenance of effective risk management strategy as well as ensuring the execution of material operational control activities and monitoring.

Credit Approval

Credit Approval acts as the first filter which is independent of Business before a specific proposal is approved. This unit reviews the credit proposal independently from the business unit. Credit Approval is a separate part of the Risk Directorate and is directly report to President Director.

In addition to providing review and approval of credit proposals submitted by business units, 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 reviewed by the Risk Director for an independent view.

Specific Subjects related to Risk Management

New Product 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 Working Unit together with other relevant working units.

Risk Culture

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.

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 2019:

1. Risk Management Certification Programme as required.
2. Risk Management Certification Maintenance/Refreshment Programme 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, and Compliance & Reputational Risk.
4. Other trainings to improve competence in risk management.

Risk Profile

Overall, the assessment of inherent risk and quality of risk management implementation for all risks are relatively stable and well maintained in the Rating 2 (Low to Moderate) in the last three years. Consistently, the Bank continues to take various remedial measures related to control and ensures that mitigation is carried out effectively.

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 framework with the concept of 'Three Lines of Defence' in 2013, focusing primarily on first-line retrofitting (business and function) with an awareness of their responsibility to conduct adequate risk management.

Risk Management Focus in 2020

1. Enable accelerated growth within the risk appetite.
2. Continue to embed management of Non-Financial Risks (NFR) and to accelerate the effective management of HBID's most material NFRs.
3. Successful and ongoing delivery of all our regulatory commitments, Financial Crime and Conduct Programmes as well as to continue the improvements to PSAK71.
4. Provide risk stewardship and oversight across the bank's capabilities and key programmes such as sustainable finance.
5. Deliver leadership capability within HBID Risk by leveraging HSBC Global Risk programmes, Short Term Rotations as well as HBID Country Function Graduate Programme.
6. Active Risk Management
Continue Active Risk Management assessment to determine the Information and Cyber Security risk map rating.

Risk Management

QUANTITATIVE INFORMATION DISCLOSURES OF RISK EXPOSURES

Expressed in million Rupiah, unless otherwise specified

Loans based on Remaining Contract Period

No.	Portfolio Category	31 December 2019 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	12,128,584	10,746,383	1,903,769	1,603,843	-	26,382,579	
2	Receivables on Public Sector Entities	6,411,332	246,321	-	-	-	6,657,653	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	
4	Receivables on Banks	10,505,902	-	-	-	-	10,505,902	
5	Loans Secured by Residential Property	370	21,185	20,558	262,246	-	304,359	
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-	
7	Loans for Retired	-	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	2,812,005	1,061,600	710,415	557,218	-	5,141,238	
9	Receivables on Corporate	54,733,670	1,278,527	69,303	217,686	-	56,299,186	
10	Past Due Receivables	709,895	92,875	3,492	10,489	-	816,751	
11	Other Assets	-	-	-	-	5,290,913	5,290,913	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	-	
Total Balance Sheet Exposure		87,301,758	13,446,891	2,707,537	2,651,482	5,290,913	111,398,581	
B Administrative Account Exposure								
1	Receivables on Government	-	-	-	-	-	-	
2	Receivables on Public Sector Entities	371,755	22,690	-	-	-	394,445	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	
4	Receivables on Banks	725,801	540,846	41,843	54,774	-	1,363,264	
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	1,548	-	-	-	-	1,548	
9	Receivables on Corporate	4,180,334	1,323,379	54,642	20,240	-	5,578,595	
10	Past Due Receivables	307	57	28	-	-	392	
11	Other Assets	-	-	-	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	-	
Total Administrative Account Exposure		5,279,745	1,886,972	96,513	75,014	-	7,338,244	

	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
	(3)	(4)	(5)	(6)	(7)	(7)
	18,286,203	3,885,411	1,021,267	636,002	-	23,828,884
	6,704,950	-	-	-	-	6,704,950
	-	-	-	-	-	-
	10,347,829	-	-	-	-	10,347,829
	631	12,193	34,826	186,958	-	234,607
	-	-	-	-	-	-
	-	-	-	-	-	-
	2,583,946	1,055,206	719,197	574,219	-	4,932,568
	54,745,849	1,239,720	816,261	205,113	-	57,006,942
	539,203	73,963	112,719	3,684	-	729,569
	-	-	-	-	4,072,460	4,072,460
	-	-	-	-	-	-
	93,208,611	6,266,494	2,704,268	1,605,975	4,072,460	107,857,809
	14,578	-	-	-	-	14,578
	125,870	90,868	-	-	-	216,738
	-	-	-	-	-	-
	12,426	-	-	-	-	12,426
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	8,973	-	-	-	-	8,973
	4,397,349	895,874	554,433	5,612	-	5,853,269
	1,002	-	1,050	9	-	2,061
	-	-	-	-	-	-
	-	-	-	-	-	-
	4,560,197	986,742	555,483	5,621	-	6,108,044

Risk Management

No.	Portfolio Category	31 December 2019 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	503,999	-	-	-	-	503,999	
2	Receivables on Public Sector Entities	-	-	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	
4	Receivables on Banks	639,065	357,848	24,902	-	-	1,021,815	
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	294,073	145,361	34,900	1,319	-	475,653	
10	Past Due Receivables	-	-	-	-	-	-	
11	Other Assets	-	-	-	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	-	
Total Counter Party Credit Risk Exposure		1,437,137	503,209	59,802	1,319	-	2,001,467	
TOTAL		94,018,640	15,837,072	2,863,852	2,727,815	5,290,913	120,738,292	

Loans based on the remaining term of the contract are dominated by a period of less than 1 year amounting to 77.87% of the total portfolio. Whereas, contribution from lending with period between 1-3 years was 13.12%. Contracts for more than 3-5 years and more than 5 years only contributed 2.37% and 2.26%, respectively.

	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
	(3)	(4)	(5)	(6)	(7)	(7)
	1,145,118	-	-	-	-	1,145,118
	-	-	-	-	-	-
	-	-	-	-	-	-
	699,181	483,380	17,309	-	-	1,199,870
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	385,289	105,995	39,134	2,802	-	533,220
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	2,229,588	589,375	56,443	2,802	-	2,878,208
	99,998,397	7,842,611	3,316,195	1,614,399	4,072,460	116,844,062

Risk Management

Loans by Economic Sector

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 2019						
A	Balance Sheet Exposure					
1	Agriculture, Hunting and Forestry	-	-	-	-	-
2	Fishery	-	-	-	-	-
3	Mining and Quarrying	-	2,421,793	-	-	-
4	Manufacturing	-	2,327,844	-	-	-
5	Electricity, Gas and Water	-	-	-	-	-
6	Construction	-	1,303,890	-	-	-
7	Wholesale and Retail Trading	-	-	-	-	-
8	Hotel and Food & Beverage	-	-	-	-	-
9	Transport, Warehousing and Communications	-	501,570	-	-	-
10	Financial Intermediary	3,047,388	102,556	-	10,505,902	-
11	Real Estate, Rentals and Business Services	-	-	-	-	-
12	Public Administration, Defence and Compulsory Social Security	23,335,191	-	-	-	-
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	-	-	-	-	22,507
20	Others	-	-	-	-	281,852
Total Balance Sheet Exposure		26,382,579	6,657,653	-	10,505,902	304,359

	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)
	-	-	8,916	1,361,586	1,783	-	-
	-	-	3,671	-	-	-	-
	-	-	-	1,628,919	374	-	-
	-	-	88,856	26,412,344	469,015	-	-
	-	-	3,872	299	-	-	-
	-	-	44,112	3,458,100	9,510	-	-
	-	-	510,219	11,279,588	211,321	-	-
	-	-	6,691	95,334	31,713	-	-
	-	-	44,549	3,796,540	18,603	-	-
	-	-	-	4,839,578	-	-	-
	-	-	25,005	3,263,481	55,213	-	-
	-	-	-	-	-	-	-
	-	-	-	10,577	-	-	-
	-	-	3,457	16,623	-	-	-
	-	-	6,413	130,328	1,231	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	413	-	17	5,290,913	-
	-	-	4,395,064	5,889	17,971	-	-
	-	-	5,141,238	56,299,186	816,751	5,290,913	-

Risk Management

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	-	10,000	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	-	
6	Construction	-	214,127	-	-	-	
7	Wholesale and Retail Trading	-	-	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	-	
9	Transport, Warehousing and Communications	-	170,318	-	-	-	
10	Financial Intermediary	-	-	-	1,363,264	-	
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		-	394,445	-	1,363,264	-	

	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)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	202,653	-	-	-
	-	-	2	4,453,936	307	-	-
	-	-	-	-	-	-	-
	-	-	100	4,070	-	-	-
	-	-	892	22,477	85	-	-
	-	-	533	1,327	-	-	-
	-	-	-	486,466	-	-	-
	-	-	-	386,972	-	-	-
	-	-	21	4,312	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	16,382	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	1,548	5,578,595	392	-	-

Risk Management

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	-	-	-	1,021,815	-	
11	Real Estate, Rentals and Business Services	-	-	-	-	-	
12	Public Administration, Defence and Compulsory Social Security	503,999	-	-	-	-	
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		503,999	-	-	1,021,815	-	
TOTAL		26,886,578	7,052,098	-	12,890,981	304,359	

Risk Management

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	-	970,744	-	-	-	
4	Manufacturing	3,789	1,586,149	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	-	
6	Construction	-	3,476,727	-	-	-	
7	Wholesale and Retail Trading	-	66,854	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	-	
9	Transport, Warehousing and Communications	-	-	-	-	-	
10	Financial Intermediary	12,479,233	604,476	-	10,347,829	-	
11	Real Estate, Rentals and Business Services	-	-	-	-	-	
12	Public Administration, Defence and Compulsory Social Security	11,345,862	-	-	-	-	
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	-	-	-	-	234,607	
Total Balance Sheet Exposure		23,828,884	6,704,950	-	10,347,829	234,607	

	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)
	-	-	-	1,067,037	6,013	-	-
	-	-	-	2,827	-	-	-
	-	-	-	2,251,376	1,000	-	-
	-	-	4,191	27,814,599	241,169	-	-
	-	-	-	2,513	-	-	-
	-	-	276,682	357,917	34,480	-	-
	-	-	42,037	12,932,014	296,425	-	-
	-	-	-	209,428	46,558	-	-
	-	-	2,238	4,706,082	28,143	-	-
	-	-	-	5,054,072	-	-	-
	-	-	2,792	2,032,803	66,244	-	-
	-	-	-	-	-	-	-
	-	-	-	20,772	-	-	-
	-	-	-	28,330	-	-	-
	-	-	-	519,274	4,613	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	663	-	203	4,072,460	-
	-	-	4,603,963	7,898	4,720	-	-
	-	-	4,932,568	57,006,942	729,569	4,072,460	-

Risk Management

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		216,738	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	-	
9	Transport, Warehousing and Communications	-	-	-	-	-	
10	Financial Intermediary	14,578	-	-	12,426	-	
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		14,578	216,738	-	12,426	-	

	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)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	39,160	-	-	-
	-	-	-	107,852	-	-	-
	-	-	-	769	-	-	-
	-	-	-	20	-	-	-
	-	-	-	5,655,545	-	-	-
	-	-	-	34,402	-	-	-
	-	-	-	7,957	-	-	-
	-	-	-	-	-	-	-
	-	-	-	7,488	2,061	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	76	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	8,973	-	-	-	-
	-	-	-	-	-	-	-
	-	-	8,973	5,853,269	2,061	-	-

Risk Management

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	-	-	-	1,199,870	-	
11	Real Estate, Rentals and Business Services	-	-	-	-	-	
12	Public Administration, Defence and Compulsory Social Security	1,145,118	-	-	-	-	
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		1,145,118	-	-	1,199,870	-	
TOTAL		24,988,580	6,921,688	-	11,560,124	234,607	

From the Bank's balance sheet exposure, the portfolio is spread across various sectors of the economy with the largest contribution from the manufacturing sector (28.25%) as well as public administration, defence and compulsory social security sector (19.74%).

	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)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	395,548	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	137,672	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	533,220	-	-	-
	-	-	4,941,541	63,393,431	731,629	4,072,460	-

Risk Management

Disclosure of Receivables Based on Area

No.	Portfolio Category	31 December 2019					
		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	26,382,579	-	-	-	26,382,579	
2	Receivables on Public Sector Entities	6,657,653	-	-	-	6,657,653	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	10,412,225	9,509	76,493	7,675	10,505,902	
5	Loans Secured by Residential Property	293,203	-	10,505	651	304,359	
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	
7	Loans for Retired	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	4,483,153	181,849	288,676	187,560	5,141,238	
9	Receivables on Corporate	46,433,121	3,119,820	5,921,979	824,266	56,299,186	
10	Past Due Receivables	371,354	108,583	251,203	85,611	816,751	
11	Other Assets	5,056,346	111,829	93,127	29,612	5,290,913	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	
Total Balance Sheet Exposure		100,089,634	3,531,590	6,641,983	1,135,375	111,398,581	
B	Administrative Account Exposure						
1	Receivables on Government	-	-	-	-	-	
2	Receivables on Public Sector Entities	394,445	-	-	-	394,445	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	1,363,264	-	-	-	1,363,264	
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	215	1,132	98	103	1,548	
9	Receivables on Corporate	5,020,370	242,073	204,329	111,824	5,578,595	
10	Past Due Receivables	335	-	43	15	392	
11	Other Assets	-	-	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	
Total Administrative Account Exposure		6,778,629	243,204	204,470	111,941	7,338,244	

	31 December 2018				
	Receivables Based on Area Disclosure				
	Region 1	Region 2	Region 3	Region 4	Total
	Jakarta	Medan	Surabaya	Other	
	(3)	(4)	(5)	(6)	(7)
	23,828,884	-	-	-	23,828,884
	6,704,950	-	-	-	6,704,950
	-	-	-	-	-
	10,235,256	19,003	24,673	68,896	10,347,829
	208,704	-	14,441	11,462	234,607
	-	-	-	-	-
	-	-	-	-	-
	4,816,188	25,388	34,892	56,100	4,932,568
	44,485,626	4,087,946	4,131,256	4,302,114	57,006,942
	185,732	30,358	103,606	409,872	729,569
	3,916,484	35,235	48,674	72,067	4,072,460
	-	-	-	-	-
	94,381,825	4,197,930	4,357,542	4,920,512	107,857,809
	14,578	-	-	-	14,578
	216,738	-	-	-	216,738
	-	-	-	-	-
	12,426	-	-	-	12,426
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	8,973	8,973
	5,190,567	107,374	82,754	472,573	5,853,269
	543	-	-	1,518	2,061
	-	-	-	-	-
	-	-	-	-	-
	5,434,852	107,374	82,754	483,064	6,108,044

Risk Management

No.	Portfolio Category	31 December 2019					
		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	503,999	-	-	-	503,999	
2	Receivables on Public Sector Entities	-	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	1,021,815	-	-	-	1,021,815	
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	475,653	-	-	-	475,653	
10	Past Due Receivables	-	-	-	-	-	
11	Other Assets	-	-	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	
Total Counter Party Credit Risk Exposure		2,001,467	-	-	-	2,001,467	
TOTAL		108,869,730	3,774,794	6,846,453	1,247,316	120,738,292	

The composition spread of receivables based on territory dominated by Jakarta, which reached 90.17% of the total portfolio with portfolio composition relatively stable compared to 87.89% in prior year.

Disclosures of Credit Risks Due to Counterparty Default: Derivative Transactions

No	Underlying Variable	31 December 2019								
		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	3,755,357	7,792,474	-	95,984	91,847	232,646	-	232,646	
2	Foreign Exchange	28,946,861	3,637,654	-	380,747	381,694	1,303,876	-	1,303,876	
3	Other	-	-	-	-	-	-	-	-	
	TOTAL	32,702,218	11,430,128	-	476,731	473,541	1,536,522	-	1,536,522	

	31 December 2018				
	Receivables Based on Area Disclosure				
	Region 1	Region 2	Region 3	Region 4	Total
	Jakarta	Medan	Surabaya	Other	
	(3)	(4)	(5)	(6)	(7)
	1,145,118	-	-	-	1,145,118
	-	-	-	-	-
	-	-	-	-	-
	1,199,870	-	-	-	1,199,870
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	533,220	-	-	-	533,220
	-	-	-	-	-
	-	-	-	-	-
	2,878,208	-	-	-	2,878,208
	102,694,885	4,305,304	4,440,296	5,403,576	116,844,062

	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					
	2,209,093	9,674,880	-	61,449	56,412	210,484	-	210,484
	24,913,336	5,510,273	-	480,432	767,786	1,522,606	-	1,522,606
	-	-	-	-	-	-	-	-
	27,122,428	15,185,152	-	541,882	824,198	1,733,090	-	1,733,090

Risk Management

Disclosure of Counterparty Credit Risk: Repo Transaction

No.	Portfolio Category	31 December 2019				
		Fair Value SSB Repo	Repo Liabilities	Net Receivable	RWA	
(1)	(2)	(3)	(4)	(5)	(6)	
1	Receivables on Government	-	-	-	-	
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		-	-	-	-	

Disclosure of Counterparty Credit Risk: Reverse Repo Transaction

No.	Portfolio Category	31 December 2019				
		Net Receivables	Value MRK	Net Receivables After MRK	RWA after MRK	
(1)	(2)	(3)	(4)	(5)	(6)	
1	Receivables on Government	464,945	-	464,945	-	
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		464,945	-	464,945	-	

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

	31 December 2018			
	Fair Value SSB Repo	Repo Liabilities	Net Receivable	RWA
	(3)	(4)	(5)	(6)
	1,505,272	1,454,081	51,191	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	1,505,272	1,454,081	51,191	-

	31 December 2018			
	Net Receivables	Value MRK	Net Receivables After MRK	RWA after MRK
	(3)	(4)	(5)	(6)
	1,093,927	-	1,093,927	218,785
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	1,093,927	-	1,093,927	218,785

Risk Management

Disclosures of Net Receivables by Risks Weight After Considering Credit Risks Mitigating Impact

No.	Portfolio Category	Disclosures of				
		0%	20%	25%	35%	
(1)	(2)	(3)	(4)	(5)	(6)	
A Balance Sheet Exposure						
1	Receivables on Government	26,382,579	-	-	-	
2	Receivables on Public Sector Entities	-	945,179	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	10,167,980	-	-	
5	Loans Secured by Residential Property	-	164,226	87,412	52,721	
6	Loans Secured by Commercial Real Estate	-	-	-	-	
7	Loans for Retired	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
9	Receivables on Corporate	-	3,545,151	-	-	
10	Past Due Receivables	-	-	-	-	
11	Other Assets	696,281	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Balance Sheet Exposure	27,078,860	14,822,536	87,412	52,721	
B Administrative Account Exposure						
1	Receivables on Government	-	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	1,128,603	-	-	
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	-	303,020	-	-	
10	Past Due Receivables	-	-	-	-	
11	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Exposure TRA	-	1,431,623	-	-	
C Counter Party Credit Risk Exposure						
1	Receivables on Government	503,999	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	664,924	-	-	
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
6	Receivables on Corporate	-	127,067	-	-	
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Counterparty Credit Risk Exposure	503,999	791,991	-	-	

31 December 2019								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)		
	-	-	-	-	-	-		-	-
	-	-	5,712,475	-	-	-		3,045,273	243,622
	-	-	-	-	-	-		-	-
	-	-	334,800	-	-	3,121		2,205,678	176,454
	-	-	-	-	-	-		73,151	5,852
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	4,983,353	-	-		3,737,515	299,001
	-	-	5,401,975	-	45,062,586	810,385		49,688,181	3,975,054
	-	-	-	-	11,131	805,620		1,219,561	97,565
	-	-	-	-	4,452,352	142,280		4,665,772	373,262
	-	-	-	-	-	-	-	-	-
	-	-	11,449,250	4,983,353	49,526,069	1,761,406	-	64,635,130	5,170,810
	-	-	-	-	-	-		-	-
	-	-	394,445	-	-	-		197,223	15,778
	-	-	-	-	-	-		-	-
	-	-	234,661	-	-	-		343,051	27,444
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	1,548	-	-		1,161	93
	-	-	1,688	-	5,273,886	-		5,335,334	426,827
	-	-	-	-	-	392		588	47
	-	-	-	-	-	-	-	-	-
	-	-	630,794	1,548	5,273,886	392	-	5,877,357	470,189
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	332,263	-	24,628	-		323,744	25,900
	-	-	-	-	-	-		-	-
	-	-	2,954	-	345,633	-		372,523	29,802
	-	-	-	-	-	-		-	-
	-	-	335,217	-	370,261	-	-	696,268	55,701

Risk Management

No.	Portfolio Category	Disclosures of				
		0%	20%	25%	35%	
(1)	(2)	(3)	(4)	(5)	(6)	
A	Balance Sheet Exposure					
1	Receivables on Government	23,828,884	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	9,829,983	-	-	
5	Loans Secured by Residential Property	-	130,053	67,366	37,188	
6	Loans Secured by Commercial Real Estate	-	-	-	-	
7	Loans for Retired	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
9	Receivables on Corporate	-	2,558,761	-	-	
10	Past Due Receivables	-	-	-	-	
11	Other Assets	654,061	-	-	-	
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Balance Sheet Exposure	24,482,945	12,518,797	67,366	37,188	
B	Administrative Account Exposure					
1	Receivables on Government	14,578	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	12,426	-	-	
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	14,578	12,426	-	-	
C	Counter Party Credit Risk Exposure					
1	Receivables on Government	1,145,118	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	-	904,163	-	-	
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	
6	Receivables on Corporate	-	47,199	-	-	
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	
	Total Counterparty Credit Risk Exposure	1,145,118	951,362	-	-	

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

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)		
	-	-	-	-	-	-		-	-
	-	-	5,734,206	-	970,744	-		3,837,847	307,028
	-	-	-	-	-	-		-	-
	-	-	514,584	-	-	3,262		2,228,171	178,254
	-	-	-	-	-	-		55,868	4,469
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	4,932,568	-	-		3,695,387	295,631
	-	-	2,348,233	-	49,994,129	670,746		52,686,117	4,214,889
	-	-	-	-	1,643	725,511		1,090,909	87,273
	-	-	-	-	3,263,336	154,317		3,495,812	279,665
	-	-	-	-	-	-	-	-	-
	-	-	8,597,023	4,932,568	54,229,852	1,553,836	-	67,090,110	5,367,209
	-	-	-	-	-	-		-	-
	-	-	216,737	-	-	-		108,369	8,669
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		2,485	199
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	8,973	-	-		6,730	538
	-	-	-	-	5,853,269	-		5,853,269	468,262
	-	-	-	-	-	2,061		3,091	247
	-	-	-	-	-	-	-	-	-
	-	-	216,737	8,973	5,853,269	2,061	-	5,973,944	477,915
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	-	-	-	-		-	-
	-	-	277,550	-	18,157	-		337,765	27,021
	-	-	-	-	-	-		-	-
	-	-	530	-	485,491	-		495,196	39,616
	-	-	-	-	-	-	-	-	-
	-	-	278,080	-	503,648	-	-	832,960	66,637

Risk Management

Disclosures of Total Credit Risks Measurements

in million Rupiah

	31 December 2019	31 December 2018
TOTAL RWA-CREDIT RISK	71,417,809	73,006,187
Capital reduction factor	-	-

Bank's credit risk RWA represent 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.

Disclosures of Market Risks Using Standard Method

in million Rupiah

No.	Type of Risk	31 December 2019		31 December 2018	
		Bank		Bank	
		Capital Charge	RWA	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)	(6)
1	Interest Rate Risk				
	a. Specific Risk	-	-	-	-
	b. General Risk	150,271	1,878,388	120,695	1,508,688
2	Foreign Exchange Risk	101,326	1,266,575	88,010	1,100,125
3	Equity Risk ^{*)}				
4	Commodity Risk ^{*)}				
5	Option Risk	-	-	-	-
Total		251,597	3,144,963	208,705	2,608,813

* Only for bank that has subsidiaries with the mentioned risk exposures

In 2019, the calculation of market risk was dominated by interest rate risk. The calculation of market risk through internal method can be seen in Notes 4c on financial statement.

Periods	△ EVE		△ NII	
	T	T-1	T	T-1
(2)	(3)	(4)	(5)	(6)
Parallel up	1,190,767	1,097,547	(276,043)	(297,131)
Parallel down	(1,346,775)	(1,241,437)	336,262	402,030
Steepener	(188,688)	(168,803)		
Flattener	450,995	411,486		
Short rate up	887,090	814,551		
Short rate down	(960,259)	(881,957)		
Maximum Negative Value (absolute)	1,346,775	1,241,437	276,043	297,131
Tier 1 Capital (for △EVE) or Projected Income (for △NII)	17,730,236	17,259,730	3,960,518	3,901,769
Maximum Value for Tier 1 Capital (for △EVE) or Projected Income (for △NII)	7.60%	7.19%	6.97%	7.62%

Disclosure of Exposure Interest Rate Risk in Banking Book (IRRBB)

In the implementation of IRRBB Risk Management, the Bank carries out the process of identifying, measuring, monitoring and controlling the movement of interest rates that can cause changes in the present value and timing of future cash flows that affect the Bank's economic value from assets, liabilities and administrative account transactions and may cause changes in net interest income.

In terms of risk control, the Bank determines Risk Appetite and Risk Tolerance for IRRBB measurements based on stress scenarios. The Bank uses historical data and hypothetical assumptions in determining Risk Appetite and Risk Tolerance. IRRBB measurement results will be discussed and monitored in ALCO and RMC meetings.

The implementation of Risk Management for IRRBB is implemented by the Bank in accordance with the objectives, business policies, size, strategy and complexity of the Bank's business which include Active Oversight by the Directors and Board of Commissioners; Determination of Risk Management Policies and Procedures and Risk Limits; Risk Identification, Measurement, Monitoring and Control and Risk Management Information System; Internal Control System.

In measuring IRRBB Risk, the Bank uses 2 methods:

- measurement based on changes in the economic value of equity (EVE), which is a method that measures the impact of changes in interest rates on the bank's economic value equity; and

- measurement based on changes in net interest income (NII), which is a method that measures the impact of changes in interest rates on the Bank's earnings.

In calculating IRRBB with EVE method, the Bank applies an interest rate shock scenario that reflects the bank's risk profile, referring to 6 standard scenarios as required by the Financial Service Authority (OJK). In the calculation of IRRBB with NII method, the Bank applies the volatility of an increase/decrease of 200bps interest rate on the Bank's static balance sheet.

The Bank uses modelling assumptions in accordance with the methods contained in the OJK Circular letter for calculation of EVE sensitivity. While the modelling assumptions used in the calculation of NII sensitivity, the Bank uses an internal model and this is also in accordance with OJK Circular letter.

Remarks on IRRBB calculation:

For each interest rate shock scenario set by OJK, the Bank must report in the current and previous periods regarding:

- Changes to the EVE value based on the standard approach referred to in Appendix II which is an integral part of OJK Circular letter, using the assumption of a run-off balance sheet and 6 (six) shock scenarios determined by OJK.
- Changes to the projection value of NII for 12 (twelve) months when compared to the estimated projections under normal conditions conducted by the Bank during the 12 (twelve) months period using the constant balance sheet assumption and 2 (two) shock scenarios that have been determined by OJK.

Quantitative Disclosures of Operational Risk using Basic Indicator Approach

in million Rupiah

No.	Indicator Approach	31 December 2019			31 December 2018		
		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	4,578,029	686,704	8,583,805	2,789,219	418,383	5,229,786
Total		4,578,029	686,704	8,583,805	2,789,219	418,383	5,229,786

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

Risk Management

Quantitative Disclosures of Receivables and Allowance by Region

in million Rupiah

No.	Description	31 December 2019				
		Region				Total
		Region 1	Region 2	Region 3	Region 4	
		Jakarta	Medan	Surabaya	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivables	101,010,806	3,605,106	6,897,327	1,254,581	112,767,819
2	Impaired Receivables					
	a. Not Past Due	320,617	65,191	225,728	75,188	686,724
	b. Past Due	3,583	42,633	25,427	10,366	82,009
3	Specific Allowance for Impairment Losses	921,172	73,516	255,344	119,206	1,369,238
4	Collective Allowance for Impairment Losses	707,547	6,698	22,416	17,284	753,945
5	Written-Off Receivables	176,439	126,619	67,639	15,130	385,827

in million Rupiah

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	95,121,056	4,418,246	4,445,368	5,192,685	109,177,355
2	Impaired Receivables					
	a. Not Past Due	597,282	54,671	148,618	339,887	1,140,458
	b. Past Due	190,948	91,466	19,527	283,289	585,230
3	Specific Allowance for Impairment Losses	739,230	220,316	87,826	272,173	1,319,546
4	Collective Allowance for Impairment Losses	657,322	38,769	37,453	78,238	811,782
5	Written-Off Receivables	874,506	45,231	-	301,740	1,221,477

More than 80% of the receivables are on the island of Java, especially around Jakarta. This is consistent with the concentration of economic activity in Indonesia focused on the trade and manufacturing sectors which are also the Bank's main portfolio.

Decreasing value of receivables decreased compared to 2018 with composition of not overdue:overdue is 89%:11%.

Quantitative Disclosures of Receivables and Allowance by Economic Sector

in million Rupiah

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 2019					
1	Agriculture, Hunting and Forestry	1,386,472	1,154	629	14,187	-	-
2	Fishery	3,671	-	-	-	-	-
3	Mining and Quarrying	4,051,086	-	374	-	198	-
4	Manufacturing	29,665,577	438,388	30,627	367,518	24,608	248,093
5	Electricity, Gas and Water	4,171	-	-	-	-	-
6	Construction	4,879,306	8,112	1,397	63,694	-	3,837
7	Wholesale and Retail Trading	12,693,033	150,107	23,212	691,905	15,078	116,915
8	Hotel and Food & Beverage	145,559	12,066	19,646	11,821	74	-
9	Transport, Warehousing and Communications	4,580,013	16,752	1,851	218,751	5,849	-
10	Financial Intermediary	18,495,424	-	-	-	-	-
11	Real Estate, Rentals and Business Services	3,345,016	52,175	3,038	1,317	3,001	3,071
12	Public Administration, Defence and Compulsory Social Security	23,335,191	-	-	-	-	-
13	Education Services	10,577	-	-	-	-	-
14	Human Health and Social Work Activities	20,080	-	-	-	-	-
15	Public, Socio-Culture, Entertainment and Other Personal Services	137,972	-	1,231	-	1,231	11,973
16	Activities of Households as Employers	-	-	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-	-	-
18	Undefined Activities	-	-	-	-	-	-
19	Non Business Field	5,313,850	17	-	-	3,404	-
20	Others	4,700,821	7,953	4	45	700,502	1,938
TOTAL		112,767,819	686,724	82,009	1,369,238	753,945	385,827

Risk Management

in million Rupiah

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	1,083,256	4,131	12,332	10,205	10,442	-
2	Fishery	2,827	-	-	-	-	-
3	Mining and Quarrying	3,224,899	2,534	-	1,779	29,501	-
4	Manufacturing	30,182,888	445,812	339,734	532,990	260,294	420,485
5	Electricity, Gas and Water	2,513	-	-	-	-	-
6	Construction	4,196,887	49,528	35,157	51,080	36,276	381,834
7	Wholesale and Retail Trading	13,881,896	414,860	158,880	544,567	136,502	419,158
8	Hotel and Food & Beverage	258,409	46,706	2,275	2,423	6,728	-
9	Transport, Warehousing and Communications	4,898,269	39,082	-	161,806	44,814	-
10	Financial Intermediary	28,485,609	-	-	-	53,023	-
11	Real Estate, Rentals and Business Services	2,106,132	61,479	9,059	4,293	23,050	-
12	Public Administration, Defence and Compulsory Social Security	11,345,862	-	-	-	-	-
13	Education Services	20,772	-	-	-	-	-
14	Human Health and Social Work Activities	28,330	-	-	-	-	-
15	Public, Socio-Culture, Entertainment and Other Personal Services	533,660	-	14,386	9,773	4,679	-
16	Activities of Households as Employers	-	-	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-	-	-
18	Undefined Activities	-	-	-	-	-	-
19	Non Business Field	4,073,327	76,328	13,407	-	-	-
20	Others	4,851,818	-	-	630	206,473	-
TOTAL		109,177,355	1,140,458	585,230	1,319,546	811,782	1,221,477

The largest sectors are manufacturing and public administration, defence and compulsory social security, each contributing 26.31% and 20.69% of total bills per position in December 2019. For industries 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 quality ratio of non-performing loans of the Bank in 2019 to be 2.52%, remained the same with 2018.

In 2019, total non-performing loans mainly came from manufacturing as well as wholesale and retail trading amounted 50.4% and 36.4%, respectively.

Movements of Allowance for Impairment Losses (CKPN)

in million Rupiah

No.	Description	31 December 2019		31 December 2018	
		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	1,319,546	811,782	1,725,068	858,251
2	Recovery CKPN in the current period (Net)				
2.a	CKPN used in the current year	1,139,835	257,405	1,573,297	378,391
2.b	CKPN recovered in the current period	(579,885)	(146,194)	(352,918)	(234,348)
3	CKPN used for written off receivables during the year	(385,827)	(257,405)	(1,688,423)	(318,527)
4	Other recovery in the current period	-	-	-	-
5	Other ^{*)}	(124,430)	88,356	62,521	128,015
CKPN Ending Balance		1,369,239	753,944	1,319,546	811,782

^{*)} Discount Effect and Exchange Difference

CKPN in 2019 saw a significant decrease as compared to 2018 mainly a result of better quality of loan portfolio, Bank's continuous monitoring on its NPL ratio and action on both preventive and corrective measures to maintain the level of credit risk and NPL in accordance to the Bank's risk appetite.

Risk Management

Disclosure of Net Receivables based on Portfolio and Rating

(1)	(2) 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		945,178	-	1,190,283	3,265,813
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		33,786	9,850,881	101,036	144,907
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		1,006,132	2,539,019	5,401,975	494,014
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-
	Total Balance Sheet Exposure		1,985,096	12,389,900	6,693,294	3,904,734
B Administrative Account Exposure						
1	Receivables on Government		-	-	-	-
2	Receivables on Public Sector Entities		-	-	-	100,000
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		-	1,100,838	1,448	-
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		278,825	24,195	1,688	47,659
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-
	Total Administrative Account Exposure		278,825	1,125,033	3,136	147,659
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		328,848	285,005	163,691	124,298
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		1,319	125,748	2,954	198
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-
	Total Counter Party Credit Risk Exposure		330,167	410,753	166,645	124,496
	TOTAL		2,594,088	13,925,686	6,863,075	4,176,889

(in million Rupiah)

31 December 2019								Unrated	Total
			Short-Term Rating						
	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)		
	(Idr) BB+ to (Idr) BB-	(Idr) B+ to (Idr) B-	Lower than (Idr) B-	(Idr) A1+ to (Idr) A1	(Idr) A2+ to (Idr) A2	(Idr) A3+ to (Idr) A4	Lower than (Idr) A3		
	id BB+ to id BB	idB+ 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)
	26,382,579	-	-	-	-	-	-	-	26,382,579
	-	-	-	-	-	-	-	1,256,379	6,657,653
	-	-	-	-	-	-	-	-	-
	9,454	-	3,121	-	-	-	-	362,716	10,505,901
								304,359	304,359
								-	-
								-	-
								5,141,238	5,141,238
	907,340	810,385	-	-	-	-	-	45,140,321	56,299,186
								816,751	816,751
								5,290,913	5,290,913
	-	-	-	-	-	-	-	-	-
	27,299,373	810,385	3,121	-	-	-	-	58,312,677	111,398,580
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	294,445	394,445
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	260,979	1,363,265
									-
									-
								1,548	1,548
	-	-	-	-	-	-	-	5,226,227	5,578,594
								392	392
								-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	5,783,591	7,338,244
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	503,999	-	-	-	-	-	-	-	503,999
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	28,978	-	-	-	-	-	-	90,995	1,021,815
								-	-
								-	-
								-	-
	-	-	-	-	-	-	-	345,434	475,653
								-	-
	-	-	-	-	-	-	-	-	-
	28,978	-	-	-	-	-	-	436,429	2,001,467
	27,328,351	810,385	3,121	-	-	-	-	64,532,697	120,738,291

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Risk Management

	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		-	-	2,602,013	-
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		-	2,558,685	2,348,287	192,952
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-
	Total Balance Sheet Exposure		-	2,558,685	4,950,300	192,952
B Administrative Account Exposure						
1	Receivables on Government		-	-	-	14,578
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		-	-	7,748	29,813
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-
	Total Administrative Account Exposure		-	-	7,748	29,813
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		460,353	381,245	11,279	715
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		4,817	42,383	529	8,414
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Sharia Based Business Activity Unit (if any)		-	-	-	-
	Total Counter Party Credit Risk Exposure		465,170	423,628	11,808	9,129
	TOTAL		465,170	2,982,313	4,969,856	231,894

(in million 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)			
(Idr) BB+ to (Idr) BB-	(Idr) B+ to (Idr) B-	Lower than (Idr) B-	(Idr) A1+ to (Idr) A1	(Idr) A2+ to (Idr) A2	(Idr) A3+ to (Idr) A4	Lower than (Idr) A3			
id BB+ to id BB	idB+ 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)	
23,828,884	-	-	-	-	-	-	-	23,828,884	
971,106	-	-	-	-	-	-	3,131,831	6,704,950	
-	-	-	-	-	-	-	-	-	
-	-	-	206,055	8,980,668	257,076	181,861	722,170	10,347,829	
							234,607	234,607	
							-	-	
							4,932,568	4,932,568	
1,157,857	670,970	-	-	-	-	-	50,078,192	57,006,942	
							729,569	729,569	
-	-	-	-	-	-	-	4,072,460	4,072,460	
-	-	-	-	-	-	-	-	-	
25,957,847	670,970	-	206,055	8,980,668	257,076	181,861	63,901,396	107,857,809	
-	-	-	-	-	-	-	-	14,578	
-	-	-	-	-	-	-	216,738	216,738	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	12,426	12,426	
							-	-	
							-	-	
							8,973	8,973	
-	-	-	-	-	-	-	5,815,707	5,853,269	
							2,061	2,061	
							-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	6,055,905	6,108,044	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
1,145,118	-	-	-	-	-	-	-	1,145,118	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
21,824	-	-	-	-	-	-	324,453	1,199,870	
							-	-	
							-	-	
							-	-	
-	-	-	-	-	-	-	477,077	533,220	
							-	-	
-	-	-	-	-	-	-	-	-	
21,824	-	-	-	-	-	-	801,531	2,878,208	
25,979,671	670,970	-	206,055	8,980,668	257,076	181,861	70,758,832	116,844,062	

Risk Management

The biggest segment of Bank is the corporation which is the same with prior year. Long-term corporate rating has a significant portion with highest rating AA+ until AA-, A+ until A- (according to Standard & Poor's).

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

No.	Portfolio Category	31 December 2019					
		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	26,382,579	-	-	-		26,382,579
2	Receivables on Public Sector Entities	6,657,654	-	-	-		6,657,654
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	10,505,902	-	-	-		10,505,902
5	Loans Secured by Residential Property	304,359	-	-	-		304,359
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Loans for Retired	-	-	-	-		-
8	Receivables on Micro, Small Business & Retail Portfolio	5,141,239	157,886	-	-		4,983,353
9	Receivables on Corporate	56,299,186	1,479,088	-	-		54,820,098
10	Past Due Receivables	816,751	-	-	-		816,751
11	Other Assets	5,290,913	-	-	-		5,290,913
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-		-
	Total Balance Sheet Exposure	111,398,583	1,636,974	-	-	-	109,761,609
B Administrative Account Exposure							
1	Receivables on Government	-	-	-	-		-
2	Receivables on Public Sector Entities	394,445	-	-	-		394,445
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	1,363,264	-	-	-		1,363,264
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	1,548	-	-	-		1,548
9	Receivables on Corporate	5,578,595	-	-	-		5,578,595
10	Past Due Receivables	392	-	-	-		392
11	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-		-
	Total Administrative Account Exposure	7,338,244	-	-	-	-	7,338,244

No.	Portfolio Category	31 December 2019					
		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)]
C	Counter Party Credit Risk Exposure						
1	Receivables on Government	503,999	-	-	-		503,999
2	Receivables on Public Sector Entities	-	-	-	-		-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	1,021,815	-	-	-		1,021,815
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-		-
6	Receivables on Corporate	475,653	-	-	-		475,653
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-		-
	Total Counterparty Credit Risk Exposure	2,001,467	-	-	-	-	2,001,467
Total (A+B+C)		120,738,294	1,636,974	-	-	-	119,101,320

Risk Management

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	23,828,884	-	-	-		23,828,884
2	Receivables on Public Sector Entities	6,704,950	-	-	-		6,704,950
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	10,347,829	-	-	-		10,347,829
5	Loans Secured by Residential Property	234,607	-	-	-		234,607
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Loans for Retired	-	-	-	-		-
8	Receivables on Micro, Small Business & Retail Portfolio	4,932,568	5,386	-	-		4,927,182
9	Receivables on Corporate	57,006,942	1,435,072	-	-		55,571,870
10	Past Due Receivables	729,569	2,414	-	-		727,155
11	Other Assets	4,072,460	-	-	-		4,072,460
12	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-		-
	Total Balance Sheet Exposure	107,857,809	1,442,872	-	-	-	106,414,937
B Administrative Account Exposure							
1	Receivables on Government	14,578	-	-	-		14,578
2	Receivables on Public Sector Entities	216,738	-	-	-		216,738
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	12,426	-	-	-		12,426
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	8,973	-	-	-		8,973
9	Receivables on Corporate	5,853,269	-	-	-		5,853,269
10	Past Due Receivables	2,061	-	-	-		2,061
11	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-	-	-
	Total Administrative Account Exposure	6,108,044	-	-	-	-	6,108,044

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)]
C	Counter Party Credit Risk Exposure						
1	Receivables on Government	1,145,118	-	-	-		1,145,118
2	Receivables on Public Sector Entities	-	-	-	-		-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	1,199,870	-	-	-		1,199,870
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-		-
6	Receivables on Corporate	533,220	-	-	-		533,220
7	Exposures at Sharia Based Business Activity Unit (if any)	-	-	-	-		-
	Total Counterparty Credit Risk Exposure	2,878,208	-	-	-	-	2,878,208
Total (A+B+C)		116,844,061	1,442,872	-	-	-	115,401,189

There are three methods of Credit Risk Mitigation (MRK) 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 this MRK technique, thus causing less calculated collateral.

Risk Management

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

(in million Rupiah)

No.	Description	31 December 2019			31 December 2018		
		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	26,382,579	-	-	23,828,884	-	-
2	Receivables on Public Sector Entities	6,657,654	3,045,273	3,045,273	6,704,950	3,837,847	3,837,847
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	10,505,902	2,205,678	2,205,678	10,347,829	-	2,228,171
5	Loans Secured by Residential Property	304,359	73,151	73,151	234,607	55,868	55,868
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Loans for Retired	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	5,141,239	3,855,929	3,737,515	4,932,568	3,699,426	3,695,387
9	Receivables on Corporate	56,299,186	51,167,270	49,688,182	57,006,942	54,121,190	52,686,117
10	Past Due Receivables	816,751	1,219,561	1,219,561	729,569	1,093,531	1,089,909
11	Other Assets	5,290,913		4,665,772	4,072,460		3,494,812
Total		111,398,583	61,566,862	64,635,132	107,857,809	62,807,861	67,088,111

Liquidity Coverage Ratio (LCR)

	LCR Value			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Bank Only	396.28%	395.80%	422.85%	489.90%

Disclosure of Exposure to Commitment/Contingent Liabilities in Off Balance Sheet

(in million Rupiah)

No.	Description	31 December 2019			31 December 2018		
		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	-	-	-	14,578	-	-
2	Receivables on Public Sector Entities	394,445	197,223	197,223	216,738	108,369	108,369
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	1,363,264	343,051	343,051	12,426	2,485	2,485
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	1,548	1,161	1,161	8,973	6,730	6,730
9	Receivables on Corporate	5,578,595	5,335,335	5,335,335	5,853,268	5,853,269	5,853,269
10	Past Due Receivables	392	588	588	2,061	3,091	3,091
Total		7,338,244	5,877,358	5,877,358	6,108,044	5,973,944	5,973,944

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 in off balance sheet 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 in off balance sheet charges before and after taking into account MRK.

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

(in million Rupiah)

No.	Description	31 December 2019			31 December 2018		
		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	503,999	-	-	1,145,118	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	1,021,815	323,744	449,159	1,199,870	337,765	337,765
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-
6	Receivables on Corporate	475,653	372,523	456,161	533,220	495,196	495,196
Total		2,001,467	696,267	905,321	2,878,208	832,960	832,960

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

Risk Management

Disclosure of Maturity Profile

- Disclosure of Rupiah Maturity Profile

(in million Rupiah)

No.	Posts	31 December 2019					
		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	62,200,120	15,885,132	9,550,636	11,281,380	7,686,060	17,796,912
1	Cash	454,727	454,727	-	-	-	-
2	Placements with Bank Indonesia	8,398,138	6,239,290	1,885,719	273,129	-	-
3	Placements with other banks	63,754	63,754	-	-	-	-
4	Marketable Securities	14,633,620	115,459	131,663	20,516	501,308	13,864,674
5	Loans	33,147,784	5,172,779	7,062,622	9,844,109	7,184,202	3,884,072
6	Other Receivables	2,165,340	502,366	470,632	1,143,626	550	48,166
7	Others	3,336,757	3,336,757	-	-	-	-
Total Asset		62,200,120	15,885,132	9,550,636	11,281,380	7,686,060	17,796,912
B	Liabilities	52,108,560	47,375,856	3,191,506	1,157,527	338,046	45,625
1	Third party depositors	43,195,512	39,118,415	2,720,909	1,018,142	338,046	-
2	Liabilities on Bank Indonesia	-	-	-	-	-	-
3	Liabilities with Other Banks	5,034,982	5,034,982	-	-	-	-
4	Securities issued	-	-	-	-	-	-
5	Borrowings	-	-	-	-	-	-
6	Other Liabilities	1,139,554	483,947	470,597	139,385	-	45,625
7	Others	2,738,512	2,738,512	-	-	-	-
Total Liabilities		52,108,560	47,375,856	3,191,506	1,157,527	338,046	45,625
On Balance Sheet Asset and Liabilities Differences		10,091,560	(31,490,724)	6,359,130	10,123,853	7,348,014	17,751,287
II	OFF BALANCE SHEET						
A	Off Balance Sheet Receivable	1,753,692	919,240	82,373	225,591	515,689	10,799
1	Commitment	-	-	-	-	-	-
2	Contingencies	1,753,692	919,240	82,373	225,591	515,689	10,799
Total Off Balance Sheet Receivables		1,753,692	919,240	82,373	225,591	515,689	10,799
B	Off Balance Sheet Liabilities	42,203,120	5,889,509	8,622,365	9,401,408	10,871,827	7,418,011
1	Commitment	37,752,090	5,389,627	7,907,960	8,186,999	9,793,278	6,474,226
2	Contingencies	4,451,030	499,882	714,405	1,214,409	1,078,549	943,785
Total Off Balance Sheet Liabilities		42,203,120	5,889,509	8,622,365	9,401,408	10,871,827	7,418,011
Total Off Balance Sheet Asset and Liabilities Difference		(40,449,428)	(4,970,269)	(8,539,992)	(9,175,817)	(10,356,138)	(7,407,212)
Difference [(IA-IB)+(IIA-IIB)]		(30,357,868)	(36,460,993)	(2,180,862)	948,036	(3,008,124)	10,344,075
The Cumulative Difference		-	(36,460,993)	(38,641,855)	(37,693,819)	(40,701,943)	(30,357,868)

(in million Rupiah)

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	55,746,775	15,879,998	10,472,187	8,391,123	11,620,431	9,383,036
1	Cash	433,271	433,271	-	-	-	-
2	Placements with Bank Indonesia	8,949,943	5,594,108	1,381,374	734,018	1,240,443	-
3	Placements with other banks	59,976	59,976	-	-	-	-
4	Marketable Securities	11,280,708	2,069,023	741,304	1,557,170	1,607,085	5,306,126
5	Loans	31,290,685	5,126,118	7,782,921	5,551,395	8,767,908	4,062,343
6	Other Receivables	1,911,739	777,049	566,588	548,540	4,995	14,567
7	Others	1,820,453	1,820,453	-	-	-	-
Total Asset		55,746,775	15,879,998	10,472,187	8,391,123	11,620,431	9,383,036
B	Liabilities	47,624,410	43,055,561	3,204,980	1,095,298	235,798	32,773
1	Third party depositors	33,835,562	29,741,166	2,900,576	958,022	235,798	-
2	Liabilities on Bank Indonesia	-	-	-	-	-	-
3	Liabilities with Other Banks	8,766,437	8,766,437	-	-	-	-
4	Securities issued	-	-	-	-	-	-
5	Borrowings	-	-	-	-	-	-
6	Other Liabilities	2,269,565	1,795,112	304,404	137,276	-	32,773
7	Others	2,752,846	2,752,846	-	-	-	-
Total Liabilities		47,624,410	43,055,561	3,204,980	1,095,298	235,798	32,773
On Balance Sheet Asset and Liabilities Differences		8,122,365	(27,175,563)	7,267,207	7,295,825	11,384,633	9,350,263
II OFF BALANCE SHEET							
A	Off Balance Sheet Receivable	1,363,609	673,312	10,720	101,473	574,817	3,287
1	Commitment	-	-	-	-	-	-
2	Contingencies	1,363,609	673,312	10,720	101,473	574,817	3,287
Total Off Balance Sheet Receivables		1,363,609	673,312	10,720	101,473	574,817	3,287
B	Off Balance Sheet Liabilities	36,215,000	9,303,363	7,611,313	4,413,054	9,503,071	5,384,199
1	Commitment	31,495,559	8,831,931	7,204,792	2,680,924	8,568,666	4,209,246
2	Contingencies	4,719,441	471,432	406,521	1,732,130	934,405	1,174,953
Total Off Balance Sheet Liabilities		36,215,000	9,303,363	7,611,313	4,413,054	9,503,071	5,384,199
Total Off Balance Sheet Asset and Liabilities Difference		(34,851,391)	(8,630,051)	(7,600,593)	(4,311,581)	(8,928,254)	(5,380,912)
Difference [(IA-IB)+(IIA/IIB)]		(26,729,026)	(35,805,614)	(333,386)	2,984,244	2,456,379	3,969,351
The Cumulative Difference		-	(35,805,614)	(36,139,000)	(33,154,756)	(30,698,377)	(26,729,026)

Risk Management

• Disclosure of Foreign Currency Maturity Profile

(in million Rupiah)

No.	Posts	31 December 2019					
		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	50,787,939	19,054,975	12,072,272	10,509,443	8,203,940	947,309
1	Cash	241,554	241,554	-	-	-	-
2	Placements with Bank Indonesia	3,213,799	3,213,799	-	-	-	-
3	Placements with other banks	9,893,894	9,893,894	-	-	-	-
4	Marketable Securities	470,461	121,611	197,312	23,501	-	128,037
5	Loans	34,509,278	4,394,579	10,927,232	10,338,259	8,172,930	676,278
6	Other Receivables	2,209,404	939,989	947,728	147,683	31,010	142,994
7	Others	249,549	249,549	-	-	-	-
Total Asset		50,787,939	19,054,975	12,072,272	10,509,443	8,203,940	947,309
B	Liabilities	41,615,792	23,320,443	1,235,832	1,005,350	1,726,225	14,327,942
1	Third party depositors	22,273,745	21,290,848	358,143	141,914	304,975	177,865
2	Liabilities on Bank Indonesia	-	-	-	-	-	-
3	Liabilities with Other Banks	23,533	23,533	-	-	-	-
4	Securities issued	-	-	-	-	-	-
5	Borrowings	16,103,701	-	-	694,125	1,388,250	14,021,326
6	Other Liabilities	1,935,915	727,164	877,689	169,311	33,000	128,751
7	Others	1,278,898	1,278,898	-	-	-	-
Total Liabilities		41,615,792	23,320,443	1,235,832	1,005,350	1,726,225	14,327,942
On Balance Sheet Asset and Liabilities Differences		9,172,147	(4,265,468)	10,836,440	9,504,093	6,477,715	(13,380,633)
II OFF BALANCE SHEET							
A	Off Balance Sheet Receivable	23,392,076	11,522,069	6,788,284	1,060,203	1,042,884	2,978,636
1	Commitment	15,888,891	7,417,741	6,377,191	594,745	634,045	865,169
2	Contingencies	7,503,185	4,104,328	411,093	465,458	408,839	2,113,467
Total Off Balance Sheet Receivables		23,392,076	11,522,069	6,788,284	1,060,203	1,042,884	2,978,636
B	Off Balance Sheet Liabilities	75,468,519	10,106,603	22,107,443	12,341,138	19,841,635	11,071,700
1	Commitment	70,625,284	9,840,129	21,554,811	11,339,690	18,997,270	8,893,384
2	Contingencies	4,843,235	266,474	552,632	1,001,448	844,365	2,178,316
Total Off Balance Sheet Liabilities		75,468,519	10,106,603	22,107,443	12,341,138	19,841,635	11,071,700
Total Off Balance Sheet Asset and Liabilities Difference		(52,076,443)	1,415,466	(15,319,159)	(11,280,935)	(18,798,751)	(8,093,064)
Difference [(IA-IB)+(IIAIIIB)]		(42,904,296)	(2,850,002)	(4,482,719)	(1,776,842)	(12,321,036)	(21,473,697)
The Cumulative Difference		-	(2,850,002)	(7,332,721)	(9,109,563)	(21,430,599)	(42,904,296)

(in million Rupiah)

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	54,059,924	21,195,262	9,911,342	8,490,758	13,179,131	1,283,431
1	Cash	220,790	220,790	-	-	-	-
2	Placements with Bank Indonesia	3,530,290	3,530,290	-	-	-	-
3	Placements with other banks	9,444,159	9,393,347	50,812	-	-	-
4	Marketable Securities	469,091	161,905	190,953	25,887	-	90,346
5	Loans	37,184,678	5,942,315	8,911,727	8,232,241	13,049,286	1,049,109
6	Other Receivables	2,607,894	1,343,593	757,850	232,630	129,845	143,976
7	Others	603,022	603,022	-	-	-	-
Total Asset		54,059,924	21,195,262	9,911,342	8,490,758	13,179,131	1,283,431
B	Liabilities	45,681,897	21,799,386	1,629,329	401,494	538,556	21,313,132
1	Third party depositors	21,071,407	19,559,255	964,193	179,119	368,840	-
2	Liabilities on Bank Indonesia	-	-	-	-	-	-
3	Liabilities with Other Banks	10,335	10,335	-	-	-	-
4	Securities issued	-	-	-	-	-	-
5	Borrowings	21,052,320	-	-	-	-	21,052,320
6	Other Liabilities	2,414,353	1,096,314	665,136	222,375	169,716	260,812
7	Others	1,133,482	1,133,482	-	-	-	-
Total Liabilities		45,681,897	21,799,386	1,629,329	401,494	538,556	21,313,132
On Balance Sheet Asset and Liabilities Differences		8,378,027	(604,124)	8,282,013	8,089,264	12,640,575	(20,029,701)
II OFF BALANCE SHEET							
A	Off Balance Sheet Receivable	22,557,557	10,299,002	1,496,416	4,384,254	3,273,265	3,104,620
1	Commitment	15,980,875	8,603,062	1,337,019	1,187,748	2,873,941	1,979,105
2	Contingencies	6,576,682	1,695,940	159,397	3,196,506	399,324	1,125,515
Total Off Balance Sheet Receivables		22,557,557	10,299,002	1,496,416	4,384,254	3,273,265	3,104,620
B	Off Balance Sheet Liabilities	77,224,898	10,535,756	18,310,652	8,890,169	26,467,126	13,021,195
1	Commitment	71,418,526	10,304,642	17,569,610	6,984,502	25,184,765	11,375,007
2	Contingencies	5,806,372	231,114	741,042	1,905,667	1,282,361	1,646,188
Total Off Balance Sheet Liabilities		77,224,898	10,535,756	18,310,652	8,890,169	26,467,126	13,021,195
Total Off Balance Sheet Asset and Liabilities Difference		(54,667,341)	(236,754)	(16,814,236)	(4,505,915)	(23,193,861)	(9,916,575)
Difference [(IA-IB)+(IIA/IIB)]		(46,289,314)	(840,878)	(8,532,223)	3,583,349	(10,553,286)	(29,946,276)
The Cumulative Difference		-	(840,878)	(9,373,101)	(5,789,752)	(16,343,038)	(46,289,314)

Business Prospects

The world saw an unprecedented crisis in early 2020 as the coronavirus pandemic hurt economies all around the globe. Many countries are on lockdown as authorities try to keep the virus from spreading further. People have stopped traveling, workers have been asked to work from home, and stocks have fallen deep. In China, factories have been closed at the government's request. Likewise, Italy has asked shops to be closed, apart from groceries and pharmacies.

The OECD said the COVID-19 impact could hurt global growth by around half a percentage point. An economic slowdown in China will heavily impact global growth because China plays a huge role in global production, trade, tourism, and commodity market. The World Bank initially expected growth in 2020 to slightly rise to 2.5% in 2020, from 2.4% in 2019, but this has not factored in the pandemic.

Authorities have tried to stem economic slowdown by launching stimulus programme. The US Federal Reserve slashed interest rates to zero and bought hundreds of billions of dollars on bonds to protect the economy. The People's Bank of China expanded reverse repo operations to keep money markets stable and allow banks to have more cash. Italy has asked banks to impose a moratorium on mortgage payments as people are unable to work at the moment.

The pandemic has also hit Indonesia. Stocks Market have fallen to the lowest level since 2016, while Rupiah has continued to weaken against the dollar. Bank Indonesia already cut the key policy rate by 25 bps to 4.75% and said it could further loosen policy to stimulate the economy. The Finance Ministry announced there would be tax breaks to cushion the coronavirus impact.

The pandemic is an additional problem for Indonesia as domestic demand was still relatively stagnant and exports contracted in 2019. The Indonesian government expected growth to reach 5.3% in the 2020 state budget, but the Finance Ministry said the pandemic could slash growth by up to 2.3% or even contracts to -0.4%. One minister in the cabinet has been tested positive for coronavirus.

The Indonesian economy is closely tied to China. As Indonesia's largest trading partner, a Chinese economic slowdown will hurt the domestic economy. Chinese tourists are also the second largest foreign visitors to the country, and Chinese investments are in the top two for foreign investment.

All of these will affect the banking sector. The Financial Services Authority targeted loan growth of between 10% and 12% in 2020, and third party funds growth of between 8% and 10%. But the figures did not account for the pandemic.

The IMF said policymakers should implement substantial targeted fiscal and monetary measures to help people and businesses. Households will need some form of subsidies to be able to spend, especially as some have lost jobs due to the COVID-19 crisis. Businesses, particularly micro and small ones, enterprises support to be able to continue running operations.

The banking industry will have to prepare measures against potential economic slowdown. Some banks have expected lower loan growth and possible rise in non-performing loans. Liquidity may remain tight like in the previous years.





Chapter

05

GOOD CORPORATE GOVERNANCE



Good Corporate Governance

THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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 protection, 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, are seen as critical for crisis-affected companies and economies to become healthier, more competitive, 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.EKUI/08/1999) formed the National Committee on Governance (KNKCG), which then published Indonesia's first GCG Guidelines.

The scope of work for KNKCG has been enlarged to incorporate the area of public governance, which is included in the Decree by the Coordinating Ministry of Economic Affairs No. KEP-49/M.EKON/11 year 2004 and updated in the Decree of Coordinating Ministry of Economic Affairs No. 117 Year 2016.

Since then, Bank Indonesia has issued provisions on the implementation of GCG through 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 Regulations and Circular Letters 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 regarding 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 following the successful integration of the Bank with HSBC foreign bank branch office (The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch), the Bank has reviewed and made several adjustments and improvements to its approach in this area 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), consisting 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 fully understands 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. During 2019, the Bank continued its ongoing commitments to GCG. Accordingly, 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 align its governance structures and procedures in line with OJK regulations on GCG. This includes the Company's values, resources capacity, and approach to Risk.

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 provided by the Bank; transparent decisionmaking; open disclosure of information; the ongoing provision of accurate, accessible, and easily understood 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 healthy, measurable and professional management.

3. Responsibility

Responsibility for the implementation of GCG principals is the Bank's commitment to comply with the prevailing regulations continuously. In addition, the Bank continuously implements healthy and accountable management of its people and environment.

4. Independency

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

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 implement 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 improve the value added to all parties of interest with these following purposes:

1. Increasing efficiency and effectiveness, supporting the sustainability of organisations 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 managed in a fair, open, and responsible manners.
3. Maintaining and protecting all shareholders and their rights and responsibilities.
4. Increasing the value of the Company and to all stakeholders.
5. Improving the efficiency and the effectivity 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 towards the Bank performance by comparing it to the best practices and identifying GCG practices that are needed to be improved to attain the ideal results of GCG implementation. Every semester, the Bank conducts self-assessments on GCG in which the result is sent to the regulator.

In the period between June and December 2019, 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 overall has implemented Good Corporate Governance. The Bank will continue to improve to ensure a better corporate governance in place in accordance to the TARIF principles (Transparency, Accountability, Responsibility, Independency and Fairness). The improvement is monitored and performed effectively and efficiently by the management.

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The Bank's business activities have been conducted fairly. 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. There were some minor shortcomings in the implementation of GCG conducted by the Bank that do not have significant impact and are being addressed.

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 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 bodies, which are the General Meeting of Shareholders (GMS), the Board of Commissioners (BOC), the Board of Directors (BOD), and the supporting bodies, including Internal Audit, Corporate Secretary, the Committees under the Board of Commissioners, including Audit Committee (AC), Remuneration and Nomination Committee (RNC), and Risk Oversight Committee (ROC), Integrated Corporate Governance Committee (in implementation of integrated corporate governance for HSBC Indonesia financial conglomerate) 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 company in Indonesia.

GENERAL MEETING OF SHAREHOLDERS

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 2019, the Bank has held Annual GMS on 28 May 2019.

Annual GMS held on 28 May 2019, had an agenda, as follows:

1. Approval and ratification of Annual Report, including Company's Financial Statement, the Board of Directors report and Supervisory Duties of the Board of Commissioners Report for the financial year ended on 31 December 2018, and granting full 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 2018, insofar as the actions are reflected in the Annual Report, and Company's Financial Statement for the financial year ended on 31 December 2018, and its supporting documents
2. Determination of the use of the Company's net profit for financial year ended on 31 December 2018;
3. The change of composition of members of Board of Directors of the Company
4. Approval and ratification of the remuneration package for the Board of Directors and the Board of Commissioners for 2019 financial year;
5. Approval to delegate authority from Shareholders to sign Letter of Offer with candidate for the members of the Board of Directors and the members of the Board of Commissioners.
6. Appointment of the Registered Public Accountant Office to audit the Company's books for the financial year ended on 31 December 2019;
7. Approval for the Company's Recovery Plan.

BOARD OF COMMISSIONERS

Under the Limited Liability Company Law, the Board of Commissioners is the body 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:

- 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.
- 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.
- Conduct duties and responsibilities as regulated by the Bank's Articles of Association and General Meeting of Shareholders' decisions.

- Research and review the annual reports prepared by the Board of Directors, and as well as executing the annual report.
- 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 Commissioner are obliged to:

- Supervise the implementation of the Bank's annual work plan.
- Follow the development of the Bank's activities, and in the event the Bank shows signs of setbacks, report the condition through General Meeting of Shareholders and provide suggestions regarding corrective actions.
- Providing opinions and suggestions for General Meeting of Shareholders regarding every matter considered crucial for managing the Bank.
- Conduct other supervisory duties as determined by the General Meeting of Shareholders.
- Give feedback on periodic reports prepared by the Board of Directors 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 2019 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 ^{*)}

^{*)} Effective withdrew her application as a member of the Board of Commissioners on 29 October 2019 prior to receiving OJK approval.

Board of Commissioners Meeting

As of 31 December 2019, the Board of Commissioners has held 9 (nine) meetings, consisting of Board of Commissioners meetings dated 25 February 2019, 27 May 2019, 27 August 2019, and 25 November 2019 and Board of Commissioners and Board of Directors Meeting dated 25 February 2019, 27 May 2019, 27 June 2019, 27 August 2019, and 25 November 2019. The percentage of attendance at meetings is as follows:

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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	9	9	100%
2	Hanny Wurangian	9	9	100%
3	Hariawan Pribadi	9	9	100%
4	Mark Thomas McKeown	9	9	100%
5	Umar Juoro	9	9	100%

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

Subject to OJK regulation number 55/POJK.03/2016 dated 7 December 2016 re. Implementation of Good Corporate Governance for Commercial Bank, an Audit Committee is obligated to perform, at least:

1. Audit Committee shall be obligated to perform monitoring and evaluation upon the planning and performance of as well as monitoring upon the follow up of result of audit in the framework of assessing the adequacy of internal control, including adequacy of process of financial reporting.
2. In the framework of performing the duties as referred to the above paragraph, Audit Committee shall be obligated to perform monitoring and evaluation at least to the:
 - a. Performance of duties of internal audit work unit.
 - b. Conformity of performance of audit by public accounting firm with audit standards.
 - c. Conformity of financial statements with the financial accounting standards.
 - d. Performance of follow up by the Board of Directors upon the result of finding of internal audit work unit, public accountant, and result of OJK supervision, in order to provide recommendation to the Board of Commissioners.

3. Audit Committee shall be obligated to provide recommendation regarding the appointment of public accountant and public accounting firm to the Board of Commissioners to be submitted to General Meeting of Shareholders.

In relation with internal audit function Implementation, the Audit Committee is responsible:

- a. To monitor and review the effectiveness of the internal audit.
- b. To evaluate the performance of the Internal Audit function.
- c. To ensure the Internal Audit function communicates with the Board of Directors, the Board of Commissioners, external auditors, and OJK.
- d. To ensure that Internal Audit function works independently.
- e. To provide recommendations to the Board of Commissioners on preparation of the audit plan, scope and budget of the Internal Audit.
- f. To review audit reports and ensuring the Board of Directors takes appropriate corrective actions immediately to overcome weaknesses in control, fraud, compliance issues to policies, laws and regulations, or other issues identified and reported by the Internal Audit.
- g. To provide recommendation to the Board of Commissioners regarding overall annual Internal Audit remuneration and performance rewards.
- h. To ensure Internal Audit upholds the integrity.

The Audit Committee has authorities and responsibilities related with Financial Reporting as follow:

- a. Monitoring the integrity of and critically assessing the financial statements of the Company, Pillar 3 disclosures (if applicable), and any formal announcements and supplementary regulatory information relating to the Company's financial performance.

- b. Reviewing, and considering changes to, significant accounting policies, including Pillar 3 disclosure policies and practices, as applicable.
- c. Reviewing, and reporting to the Board of Commissioners on, significant accounting judgements and adjustments.
- d. Reviewing going concern assumptions and any qualifications.
- e. Reviewing, as applicable, compliance with accounting standards, listing rules, Pillar 3 disclosure requirements and other requirements.
- f. Reviewing disclosure that describes the work of the Committee and of areas of special interest.
- g. Reviewing comment letters from regulatory authorities.
- h. Reviewing matters as advised by Internal Audit, any other function or the external auditor.
- i. Reviewing any significant or unusual items that may need to be highlighted in the annual report, or its local equivalent, by the external auditor.
- j. Reviewing the adequacy of resources and expertise as well as succession planning for the local Finance function.
- k. Advising the Board of Commissioners that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- l. Reporting to the Board of Commissioners on the Company's compliance with all applicable corporate governance codes or standards in relation to financial reporting.
- m. Providing assurances to the Board of Commissioners regarding compliance by the Company with relevant regulations relating to financial reporting.

The Audit Committee has authorities and responsibilities related with Internal Audit as follow:

- a. Monitor and assess the effectiveness, performance, resourcing, independence and standing of the Internal Audit function.
- b. Consider major findings of internal investigations and management's response, to help the Board of Commissioners and management protect the Group's assets, reputation and sustainability and ensure the effectiveness of relevant risk management and governance processes.
- c. Ensure that the Internal Audit work plan is aligned to the key risks of the business.
- d. Review co-ordination between Internal Audit and the external auditor.

The Audit Committee has authorities and responsibilities related with External Audit as follow:

- a. Review the terms of appointment, re-appointment, or removal of the external auditor and approve their remuneration and terms of engagement, subject to acknowledgement by the Board of Commissioners and approval by the Company's shareholder.
- b. Review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, considering relevant professional, regulatory and other requirements.
- c. Oversee the rotation of audit partners/ external auditors.
- d. Review the external auditor's report on the progress of the audit, its management letter, any material queries raised by the external auditor to management (and their responses). Any material risk or internal control issues shall be referred to the Risk Oversight Committee, as appropriate.
- e. Discuss with the external auditor the approach, nature, and scope of their audit and reporting obligations throughout the audit process.
- f. Oversee the implementation by management of the HSBC Group policy for the engagement of former employees/ contractors of the external auditor.

The Audit Committee has authorities and responsibilities related with Internal Control as follow:

- a. Review the effectiveness of the Company's internal financial controls.
- b. Consider any findings of major investigations of internal control over financial reporting matters, management's response and the conclusions of any testing carried out by internal or external auditors.
- c. Review any annual report, and other reports as required by applicable laws and regulations, from the President Director and Finance Director that such persons have disclosed to the Audit Committee and to the external auditor all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which could adversely affect the Bank's ability to record and report financial data and any fraud, whether material or not, that involves management or other employees who have a significant role in internal financial controls.
- d. Endorse the content of the statement relating to internal financial controls in the annual report, or its equivalent, for submission to the Board of Commissioners.

Good Corporate Governance

Audit Committee has responsibilities to oversee the implementation of the policies and procedures for capturing and responding to whistleblower concerns, which ensure confidentiality, protection and fair treatment of whistleblowers. Audit Committee routinely reviews reports arising from the operation of the whistleblowing policies and procedures, ensures independent and proportionate investigation, and annually reviews the operation and effectiveness of the arrangements by which staff may, in confidence, raise concerns secretly.

Other Responsibilities of Audit Committee

1. Half-Yearly Certificates to the Group Audit Committee
To provide half-yearly certificates in the form required by the Group Audit Committee to the Audit Committee of a Principal Subsidiary in the region with oversight over the bank by providing documentation or provide assurances as requested by the Group Audit Committee and/or the Audit Committee of a Principal Subsidiary in the region with oversight over the Company from time to time including: providing periodic certifications, adopting best practice, being forthcoming in sharing information as long as not conflicting with prevailing laws and regulations, and interacting with the Group Audit Committee and/or the audit committee of a Principal Subsidiary in the region with oversight over the bank and/or its Chair on a regular basis.
2. Annual Review of Terms of Reference and Committee Effectiveness
Audit Committee shall review annually its terms of reference and its own effectiveness and recommend to the Board of Commissioners any necessary changes.

Audit Committee shall report to the Board of Commissioners how Audit Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

3. Material Deviation

As long as not conflicting with prevailing rules and regulations, Audit Committee of a Principal Subsidiary in the region with oversight over the bank, will be requested to review and provide advice on material deviations from the core terms of reference.

4. Reporting to Board of Commissioners

Audit Committee will report to Board of Commissioners on the matters set out in these terms of reference and will provide the Board of Commissioners such additional assurance as it may reasonably require regarding the effectiveness of the company's finance and audit functions.

5. Overlapping responsibilities

Where there is a perceived overlap of responsibilities between Audit Committee and another committee of the Board of Commissioners, the respective committee Chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of any committee will be deemed by Board of Commissioners to have been fulfilled, provided it is dealt with by any other committee.

Composition of Members of the Audit 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 2019, the Audit Committee has held 4 (four) committee meetings, which is dated on 25 February 2019, 27 May 2019, 27 August 2019, 25 November 2019. The percentage of attendance at the Audit Committee meetings is as follows:

No	Name	Audit Committee Meeting		
		Number of Meetings	Attendance	% Attendance
1	Hanny Wurangian	4	4	100%
2	Yustrida Bernawati	4	4	100%
3	Ubaidillah Nugraha	4	4	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. Subject to OJK regulation number 55/POJK.03/2016 dated 7 December 2016 concerning Implementation of Good Corporate Governance for Commercial Bank, Risk Oversight Committee shall be obligated to perform, at least:

1. Evaluation to the conformity between policy on risk management and implementation of policies of the Bank.
2. Monitoring and evaluation to the performance of duties of risk management committee and risk management work unit.

in order to provide recommendation to the Board of Commissioners, the Committee shall be accountable to the Board of Commissioners and shall have responsibility for oversight and advice to the Board of Commissioners on:

1. Risk-Related Matter
 - a. To oversee and advise the Board of Commissioners on risk-related matters, including both financial and non-financial risks.
 - b. To review and provide independent challenge on risk management reports, including the Bank's enterprise risk reports, which enable Risk Oversight Committee to:
 - i. Assess the Bank's risk profile and how the risks arising from the Bank's businesses are controlled, monitored and mitigated.

- ii. Focus on current and forward-looking risks and enable Risk Oversight Committee to assess the Bank's vulnerability to unidentified risks.
- iii. Oversee the conduct framework and outcomes, to ensure the Bank delivers fair outcomes for customers and does not disrupt the orderly and transparent operation of financial markets.
- iv. Provide such additional assurance as the Board of Commissioners may require regarding the reliability of risk information.

2. Risk Appetite

- a. To satisfy itself that risk appetite informs the bank's strategy and business plans and that account has been taken of the macroeconomic and financial environment, drawing on financial stability assessments and other authoritative sources that may be relevant.
- b. To advise the Board of Commissioners on risk appetite and risk tolerance related matters.
- c. To review and recommend the Bank's Risk Appetite Statement at least annually to the Board of Commissioners for approval.
- d. To receive reports where appropriate, to ensure bank's approach to the determination of its risk appetite is in line with regulatory requirements.
- e. If and when requested by Board of Commissioners, to consider and advise Board of Commissioners on the risks associated with proposed strategic acquisitions/disposals and associated due diligence, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Bank.
- f. Upon the request of Board of Commissioners or other committee that oversees remuneration matters, to advise on alignment of remuneration with risk appetite.
- g. To consider and advise Board of Commissioners on the risks relating to cyber security and information security.
- h. To review and advise Board of Commissioners on the risks relating to Bank's IT and operational resilience programmes.

Good Corporate Governance

3. Stress Testing

To review and satisfy itself that Bank's stress testing framework, governance and related internal controls are robust.

4. Enterprise Risk Management Framework and Internal Control System

- To annually review the Bank's enterprise risk management framework and satisfy itself that it is operating effectively across the Bank.
- To review the effectiveness of internal control system (other than internal financial control system).
- To embed and maintain a supportive risk culture, which includes a strong internal control environment.

In executing the above, Risk Oversight Committee shall:

- Ensure there are adequate controls for compliance with HSBC Group and Bank policies.
- Consider any material findings from regulators relating to risk governance, conduct of business, risk assessment or management processes.
- Ensure that the controls relating to regulatory compliance risk are adequate.

5. Risk Director and Risk Management Function

- To monitor the effectiveness and independence of Risk Director and to ensure the risk management function is of sufficient stature, is independent of the business and is adequately resourced.
- To recommend to Board of Commissioners the appointment or removal of Risk Director.

6. Internal Audit

- To review reports from Internal Audit that provide assurance on the adequacy of internal control processes.
- To ensure that the Audit Committee is advised of Risk Oversight Committee's work in relation to Internal Audit reports and, in particular, any shortcomings perceived in the scope or adequacy of the work of Internal Audit.

7. External Audit

To review any issue raised by the external auditor in respect of the audit of Bank's annual report (and management's response) which relates to the management of risk or internal control system (other than internal financial control system).

8. Annual Report

Where applicable, to review and endorse the content of the Risk Management Committee report or statements contained in the annual report relating to internal controls (other than internal financial control systems) and viability, including the assessment of principal risks facing the bank. Risk Oversight Committee shall focus on the following:

- The bank's risk disclosures, including the articulation of strategy within a risk management context, inherent risks to which the strategy exposes the bank, the associated risk appetite and tolerance and how actual risk appetite is assessed over time.
- Forward looking information indicating the expected impact of potential risks facing the Bank.
- The description of how risk is managed across the Bank and the role of Risk Oversight Committee in providing oversight.

Other Responsibilities of Risk Oversight Committee

- Half-yearly Certificates to the Group Risk Committee
To provide half-yearly certificates in the form required by the Group Risk Committee to the risk committee of a Principal Subsidiary in the region with oversight over the Company by providing documentation or provide assurances as requested by the Group Risk Committee and/or the risk committee of a Principal Subsidiary in the region with oversight over the bank from time to time including: periodic certifications, adopting best practice, being forthcoming in sharing information as long as not conflicting with prevail laws and regulations, and interacting with the Group Risk Committee and/or the risk committee of a Principal Subsidiary in the region with oversight over the Company and/or its Chair on a regular basis.
- Annual Review of Terms of Reference and Committee Effectiveness
Risk Oversight Committee shall review annually its terms of reference and its own effectiveness and recommend to the Board of Commissioners any necessary changes.

Risk Oversight Committee shall report to the Board of Commissioners how Risk Oversight Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

c. Material Deviation

The Risk Committee of a Principal Subsidiary in the region with oversight over the Bank, will be requested to review and provide advice on material deviations from the core terms of reference.

d. Reporting to Board of Commissioners

Risk Oversight Committee will report to Board of Commissioners on the matters set out in these terms of reference and will provide the Board of Commissioners such additional assurance as it may reasonably require regarding the effectiveness of the risk management functions.

e. Overlapping responsibilities

Where there is a perceived overlap of responsibilities between Risk Oversight Committee and another committee of the Board of Commissioners, the respective committee Chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of any committee will be deemed by Board of Commissioners to have been fulfilled, provided it is dealt with by any other committee.

Risk Oversight Committee consists of four (4) independent members:

Chairman : Independent Commissioner

Member:

- Independent Commissioner
- Independent party with expertise in banking
- Independent party with expertise in risk management

Meetings:

During 2019, the Risk Oversight Committee has held 5 (five) meetings, which is dated on 25 February 2019, 27 May 2019, 27 June 2019, 27 August 2019, 25 November 2019. The percentage of attendance at The Risk Oversight Committee meetings is as follows:

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

* Effectively appointed as Chairman of Risk Oversight Committee as of 20 November 2019

Remuneration And Nomination Committee

Regulations issued by Financial Services Authority and other banking authorities stipulate that the Bank's Board of Commissioners responsible for establishing 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

Without limiting the generality of the Committee's purpose, the Committee shall have the following responsibilities, powers, authorities and discretion:

- a. To perform evaluation to remuneration guidance based on performance, risk, fairness compared to peer group, Bank long-term target and strategy, fulfillment of reserves as stipulated in the prevailing regulation.

Good Corporate Governance

- b. To provide evaluation result and recommendation to Board of Commissioners in respect of:
 - Remuneration policy for the member of Board of Directors and the member of Board of Commissioners to be proposed to the General Meeting of Shareholders.
 - Remuneration policy to all employee to be advised to the Board of Directors.
- c. To ensure that remuneration policies, practices and procedures are in line with the business strategy, objectives, values and long-term interests of the Company.
- d. To prepare and provide recommendations on the system and procedure of selecting and/or replacing Board of Directors and Board of Commissioners members to the Board of Commissioners and reported in the General Meeting of Shareholders.
- e. To provide recommendations on the candidate of the member to the Board of Directors and/or candidate of the member to the Board of Commissioners Board of Commissioners member to Board of Commissioners and reported in the General Meeting of Shareholders.
- f. To provide recommendation on the candidate of the Independent Party who will assume the role as Audit Committee and Risk Oversight Committee to the Board of Commissioners.
- g. 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.
- h. To ensure that the remuneration policy as applied to the Company comply with, and are subject to review as required by the prevailing regulations.
- i. To review performance-based remuneration by reference to corporate goals and objectives resolved by the Board of Commissioners 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.

Responsibility Related to Regulatory, Risk and Audit

1. Reviewing any matters relating to remuneration that need to be reported to shareholders and regulators, and assessing that there are effective safeguards in place to ensure that remuneration policies, practices and procedures are clearly aligned with the Company's risk appetite, business strategy, objectives, values and long-term interests of the Company, the regulatory and other legislative requirements that the Company is required to comply with. This includes the review and approval of:
 - The content of the Remuneration Report (if any) in the annual report and accounts for submission to the Board of Commissioners as a whole.
 - Any statement required by the Company's regulators from the Committee on the Company's remuneration policy.
2. To seek confirmation from the Company's Risk Management Committee or Risk Management Director, as appropriate, that risk appetite was aligned with performance objectives set in the context of incentive packages and that any relevant adjustments for risk were applied when considering performance objectives or actual performance. In the event of any difference of view, appropriate risk adjustments should be notified by the President Commissioner for further consideration.
3. To ensure that the remuneration policies, practices and procedures:
 - a. Are consistent with and promote the sound and effective risk management of the Company.
 - b. Do not encourage risk-taking that exceeds the level of tolerated risk of the Company, and.
 - c. Do not encourage the Company to bear any risk that would undermine its ability to comply with any regulatory obligation.

Operation of the Committee

The Committee shall review annually the Committee's terms of reference and its own effectiveness and recommend any necessary changes for approval of the Board and in the case of any material deviation from the core terms of reference for subsidiary remuneration committees, notification to the Board of Commissioners.

The Remuneration and Nomination Committee consists of:

Chairman : Independent Commissioner

Member : 1 (one) Independent Commissioner

: 2 (two) Non-Independent Commissioner

: 1 (one) executive officer responsible for Human Resources

During 2019, the Remuneration and Nomination Committee has held 7 (seven) committee meetings, which is dated on 14 February 2019, 25 February 2019, 27 May 2019, 27 August 2019, 7 November 2019, 25 November 2019 and 11 December 2019. The percentage of attendance at the Remuneration and Nomination Committee meetings is as follows:

No	Name	Remuneration and Nomination Committee Meeting		
		Number of Meetings	Attendance	% Attendance
1	Umar Juoro*	5	5	100%
2	Hariawan Pribadi**	7	7	100%
3	Mark Thomas McKeown	7	7	100%
4	Matthew Kneeland Lobner**	5	5	100%
5	Ibnu Agung Mulyanto***	2	2	100%
6	Heni T Budisetio**	5	5	100%

* Effectively appointed as Chairman of Remuneration and Nomination Committee as of 27 May 2019

** Effectively appointed as member of Remuneration and Nomination Committee as of 27 May 2019

*** Effectively non member of Remuneration and Nomination Committee as of 27 May 2019

BOARD OF DIRECTORS

Board of Directors is the body 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' Terms of Reference, the main duties of the Board of Directors are as follows:

1. To direct, to manage and to control the Bank in accordance with the objective of the Bank and shall consistently make every effort to improve the efficiency and effectiveness of the Bank.

2. To dominate, to maintain and to manage the property of the Bank.
3. To draw up the annual working plan which covers the annual budget of the Bank to be submitted to the Board of Commissioners for approval from the Board of Commissioners prior to the commencement of the next fiscal year.

Subject to OJK Regulation No. 55/POJK.03/2016 dated 7 December 2016 on Implementation of Good Corporate Governance for Commercial Bank, Board of Directors shall be obligated as follows:

1. To be fully responsible for the performance of management of the Bank.
2. To manage the Bank in accordance with the authorities and responsibilities of the Board of Directors as set out in articles of association and laws and regulations.
3. To apply the principles of Good Corporate Governance in every business activities of the Bank in all organisational levels or stages.
4. To follow up the findings of audit and recommendation of internal audit work unit of the Bank, external auditor, result of supervision of Financial Services Authority and/or result of supervision of other authority.

Good Corporate Governance

5. To establish, at least:
 - a. Internal Audit function.
 - b. Risk management work unit and risk management committee.
 - c. Compliance function.
6. To hold responsible for the performance of duties to shareholders through General Meeting of Shareholders.
7. To disclose to the staff regarding strategic policies of the Bank in the field of personnel affairs.
8. Board of Directors shall be prohibited to use individual advisor and/or professional service as consultant. The use of individual advisor and/or professional service as consultant may be performed in the event that it complies with the requirements:
 - a. For specific purpose project;
 - b. Based on decisive work contract.
 - c. Constitutes Independent Party and has the qualification to perform the specific purpose project as referred to in letter a.
9. To provide accurate, relevant, and on time data and information to the Board of Commissioners.

In relation with internal audit function implementation, the Board of Directors is responsible:

1. To develop internal control framework to identify, measuring, monitoring and controlling all risks across the Bank.

2. To ensure the Internal Audit function obtain updated information on initiatives, projects, products, and operational changes and risks that have been identified and anticipated.
3. To ensure the appropriate corrective actions are taken in a timely manner for all findings and recommendations from SKAI.
4. To ensure Head of Internal Audit has sufficient resources and budget to carry out the duties and functions in accordance with the annual audit plan.

The Board of Directors shall represent the Bank at law or otherwise in connection with any subject matters and in any and all respects, to bind the Bank to any other party and any other party to the Bank, and to take any and all actions, relating to management as well as ownership, accepting the limitations specified in next paragraph, in compliance with prevailing regulations.

The Board of Directors is supported by the staff under him/her and the committees established by the Board of Directors in implementing good GCG in the Bank's operational activities. The Board of Directors 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.

Composition of the Board of Directors

The composition of the Bank's Board of Directors as of 31 December 2019 is as follows:

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

* Effectively appointed as member of Board of Directors as of 19 September 2019

** Effectively resigned as member of Board of Directors as of 28 May 2019

Board of Directors Meeting

As of 31 December 2019, the Board of Directors has held 22 (twenty two) meetings, as follows: 23 January 2019, 30 January 2019, 20 February 2019, 04 March 2019, 11 March 2019, 20 March 2019, 18 April 2019, 24 April 2019, 29 April 2019, 9 May 2019, 22 May 2019, 26 June 2019, 15 July 2019, 25 July 2019, 21 August 2019, 25 September 2019, 16 October 2019, 23 October 2019, 14 November 2019, 20 November 2019, 18 December 2019, and 20 December 2019. The Board of Directors Meeting Attendance Percentage is as follows:

No	Name	Number of the Board of Directors Meeting for 2019					
		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	11	92%	10	7	70%
2	Dio Alexander Samsoeri *	4	4	100%	3	1	33%
3	Catherinawati Hadiman Sugianto **	5	1	20%	6	1	17%
4	John Peter Watt Rosie	12	11	92%	10	8	80%
5	Blake Digney Philip Hellam	12	11	92%	10	7	70%
6	Tripudjo Putranto Soemarko	12	10	83%	10	10	100%
7	Yessika Effendi	12	11	92%	10	8	80%
8	Caecilia Pudji Widyarti	12	11	92%	10	6	60%
9	Stephen Whilton Angell	12	10	83%	10	8	80%

* Effectively appointed as member of Board of Directors as of 19 September 2019
 ** Effectively resigned as member of Board of Directors as of 28 May 2019

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

Meetings held by Credit Committee in 2019 whenever required in relation to credit proposal approvals as well as the settlement process for non-performing loans.

Good Corporate Governance

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 with a view to achieving efficient allocation and utilisation of all resources, enhance economic profit by improving net profits and promoting efficiency in the use of capital and funding by enhancing return on risk assets in the context of a clearly defined growth policy and review all risks and ensure prudent management to include structural interest rate risk, structural foreign exchange risk, liquidity and funding risk.
2. Provide direction and ensure tactical follow-through to create an evolving balance sheet structure to meet performance objectives within prescribed risk parameters.
3. Monitor the external environment and measure the impact on future profitability, strategy and the balance sheet factors such as: interest rate volatility, market liquidity, exchange rate volatility, monetary and fiscal policies, customer behaviour and competitor Bank actions, and impact from accounting and regulatory changes.
4. Understand the interaction between different lines of business and portfolios in the financial positions and the issues affecting such as transfer pricing, behavioural pattern and resource allocation.
5. Provide a forum for discussing ALCO issues and facilitate teamwork between different business/departments to resolve departmental inter-face issues such as transfer pricing.
6. Review overall sourcing and allocation of funding.
7. To be forward looking and determine the most likely banking environment for asset/liability forward planning and review contingency scenarios.
8. To evaluate alternative rate, pricing and portfolio mix scenario; review asset/liability distributions and maturities and Bank's rationalization.

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
12. Head of Risk Management and Risk Regulatory Engagement

Meetings

During 2019 ALCO Meeting has been held 12 (twelve) times that is on 23 January, 20 February, 20 March, 24 April, 22 May, 26 June, 25 July, 21 August, 25 September, 23 October, 20 November and 18 December.

C. Risk Management Committee

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

The Purpose and the Scope of Risk Management Meeting

Risk Management Committee serves as the governance body for the enterprise-wide risk management with particular focuses on risk culture, risk appetite, risk profile, and integration of risk management into the Bank's strategic objectives. Risk Management Committee is charged with the following responsibilities:

- To consider risk management key issues/common themes identified across the enterprise risk reports.
- To perform assessment and recommendation to BOD and/or BOC covering risk management policy and strategy, improvement of risk management implementation based on evaluation, and business decisions.
- To review and resolve matters for escalation.
- To promote and cascade a supportive culture in relation to risk management and controls as well as to ensure bank's risk management practices support the conduct outcomes.

Members of Risk Management Committee

Risk Management Committee consists of:

Chairman: Risk Director

Member:

1. President Director
2. Finance Director
3. Operations and Information Technology Director
4. Deputy to Commercial Banking Director
5. Strategy and Business Implementation Director
6. Retail Banking & Wealth Management Director
7. Human Resources Director
8. Compliance Director
9. Head of Global Banking
10. Head of Global Market & HSS
11. Head of Risk Management & Regulatory Engagement
12. General Legal Counsel

Meetings

During 2019, The Risk Management Committee has held meeting 11 (eleven) times, on 23 January, 20 February, 20 March, 24 April, 22 May, 26 June, 25 July, 21 August, 25 September, 23 October, and 20 November.

D. Information Technology, Operational, and Services Steering Committee

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.

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 2019, Information Technology, Operational, and Services Steering Committee has held meetings 5 (five) times on 22 January, 29 April, 25 June, 20 August and 17 December.

E. Financial Crime Risk Management Committee

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.

Good Corporate Governance

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 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, AB&C, Fraud, and Tax Evasion 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.

F. People Committee

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

Duties and responsibilities of People Committee include:

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 programmes.
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 organisational structure changes and decision regarding relevant organisational 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 2019, People Committee meeting had been held for 12 (twelve) times:

- 22 January 2019
- 19 February 2019
- 19 March 2019
- 23 April 2019
- 21 May 2019
- 25 June 2019
- 24 July 2019
- 20 August 2019
- 24 September 2019
- 22 October 2019
- 19 November 2019
- 17 December 2019

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.

^{*)} Foreign Bank Branch of The Hongkong and Shanghai Banking Corporation Limited has surrendered its business license and approved by OJK on 8 April 2019

Good Corporate Governance

A. Integrated Corporate Governance Committee

Integrated Corporate Governance Committee is established based on the Resolution of the Board of Commissioners of Main Entity as stipulated in the Decree of Board of Commissioners of 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

a. The Committee of Integrated Good Corporate Governance has duties and responsibilities at minimum include:

- 1) Evaluating the implementation of Integrated Good Corporate Governance by assessing the adequacy of internal controls, the implementation of an integrated compliance function and the implementation of Integrated Good Corporate Governance guidelines.

In conducting the evaluation, the Integrated Good Corporate Governance Committee obtains the information in the form of an evaluation of the implementation of internal audit and respective compliance functions of the Financial Services

Institution from the members of the board of Commissioners of each Financial Services Institutions who become members of the Integrated Good Corporate Governance Committee.

- 2) Provide recommendations to the Company's Board of Commissioners regarding the evaluation of Integrated Good Corporate Governance and the required improvement of Integrated Good Corporate Governance Guidelines.

b. Integrated Good Corporate Governance Committee work collectively in carrying out their duties to assist the Board of Commissioners of Company (main entity).

Integrated Corporate Governance Committee membership includes:

1. An independent commissioner who serves as a chairman in one of the committee of HBID (main entity) acts as a Chairman and concurrently a member;
2. Independent Commissioner who represents and appointed from each of Financial Services Institutions in the Financial Conglomerate HBID, acting as a member;
3. An independent party who serves as a member. The independent party may be an independent member of the committee of HBID (main entity).

Meetings

During 2019, The Integrated Corporate Governance Committee has held 2 (two) meetings, which is on 13 February 2019 and 7 August 2019.

No	Name	Number of The Integrated Corporate Governance for a Year		
		Number of Meeting in accordance with the Effective Period	Attendance	% Attendance
1	Hanny Wurangian	2	2	100%
2	Suliasan	2	2	100%
3	Ubaidillah Nugraha	2	2	100%

B. Integrated Risk Management Committee

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 have the authorities and responsibilities to recommend to the Board of Directors of the Main Entity, in order to:

1. Establishment of Integrated Risk Management policy.
2. Refinement of Integrated Risk Management policy base on evaluation of the implementation.

The Main Role for the Members of Integrated Risk Management Committee:

- a. To provide inputs to the Integrated Risk Management Committee in the form of topics along with the material to be discussed in the Integrated Risk Management Committee meeting.
- b. To provide inputs in the form of information and analysis related to the topics discussed in the Integrated Risk Management Committee meeting.

Integrated Risk Management Committee membership includes:

- a. Risk Management Director function as chairman concurrently member of the Integrated Risk Management Committee
- b. Finance Director
- c. Compliance Director
- d. Director/ the appointed representative from PT HSBC Sekuritas Indonesia (HCID)
- e. Head of Risk Management & Risk Regulatory Engagement
- f. Executive Officers

Meetings

During 2019, The Integrated Risk Management Committee has held meetings 2 (two) times, 15 February 2019 and 21 August 2019.

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

The Bank has always been strongly committed to complying with the 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 Unit is established.

Compliance Unit comprises of Regulatory Compliance (RC), Financial Crime Compliance (FCC), Financial Crime Threat and Mitigation (FCTM) and Business Management. Regulatory Compliance liaise with all lines of business and any other functions in HBID in identifying and implementing compliance risk, supervising in an independent and objective way.

FCC is a special work unit which is responsible for implementing Anti Money Laundering, Sanctions and Anti-Bribery and Corruption Programmes and improve the implementation process.

In its endeavour to have the in-place process and mechanism of robust investigation, intelligence, and analysis aimed at pro-active identification of financial crimes and sophisticated financial crime risks, HBID has re-positioned Financial Crime Threat and Mitigation (FCTM) under Compliance.

Good Corporate Governance

FCTM performs Anti-Fraud strategic function and reports to President Director through Fraud Panel. Anti-Fraud strategy is Bank strategy in controlling Frauds that is designed by making reference to the processes related to the occurrences of Frauds, by taking into consideration the characteristics and extent of potential of Frauds, that is developed in a comprehensive and integral manner and implemented in Fraud control system

Business Management supports the overall Compliance Unit, on budgeting, information management and translation.

Compliance Function in PT Bank HSBC Indonesia (HBID) provides the following actions:

- Assure the fostered compliance culture in the Bank's entire functions and organisations.
- Manage compliance risks.
- Assure that the in-place compliance rules and procedure meet regulatory regulations and applicable laws issued by relevant authorities.
- Assure Bank's compliance with its commitment to OJK and/or any other Supervisory Authorities.

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 member of the conglomerate, which is PT HSBC Sekuritas Indonesia (HCID).

The member of the Compliance unit is also a member of Integrated Compliance Task Unit and perform the duties and responsibilities of Integrated Compliance Task Unit.

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. 035/SK/DIR/VIII/2019 dated 21 August 2019 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 Programme 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 programmes, 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.

Compliance Unit consistently improving the quality of AML CTF Programme implementation by enhancing the transaction monitoring system and focusing on the improvement of complex case investigation.

LEGAL ISSUES

As at 31 December 2019, there are 4 (four) cases that involve the Bank, in which 1 (one) case is currently in process at the Supreme Court level, 2 (two) cases are currently in process at the District Court level, while 1 (one) case is still waiting for copy decision of District Court level.

SHARE OPTIONS

The Bank did not have a share option Programme during 2019. The Bank also has no plans in 2020 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.

AFFILIATED RELATIONSHIPS

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

Name	Affiliated relationship with					
	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	-	✓	-	✓	✓	-
Caecilia Pudji Widyarti	-	✓	-	✓	-	✓
Tripudjo Putranto Soemarko	-	✓	-	✓	-	✓
Stephen Whilton Angell	-	✓	-	✓	✓	-
Dio Alexander Samsori	-	✓	-	✓	-	✓
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.

INTERNAL AUDIT WORK UNIT

The Bank Internal Audit Work Unit (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 assurance of the adequacy of the design and implementation of risk management, risk control, and governance processes, as designed and represented by management.

PT Bank HSBC Indonesia (HBID) has adopted a risk management and internal control structure, referred to as "Three Lines of Defence", to ensure the achievement of the commercial objectives, meeting regulatory and legal requirements, and also

the fulfilment of all the responsibilities to the stakeholders. 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.

Within organisation, Internal Audit reports to the President Director and has access to Board of Commissioners through the Audit Committee whenever required and reports to the Audit Committee on the state of risk management and internal control throughout the Bank. In order to ensure the independency and objectivity, Internal Audit must be independent to operational activities.

Internal Audit has, for the purpose of its work, unrestricted access at any time to all the records, personnel, property and operations of the Bank. Internal Audit also has authority to liaise with external auditor and attend all strategic meetings, such as Board of Directors Meetings and Risk Management Meetings to convey the conclusion of the audit results and obtain the up-to-date information on issues arising and strategic development of the Bank.

Good Corporate Governance

Internal Audit provides independent assurance to management on the effectiveness of the processes in place to manage fraud. Where material fraud occurs, Internal Audit could review the nature of the incident and assess whether there is any control weaknesses that gave rise to the fraudulent opportunity could/should have been detected.

Internal Audit reviews management action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issue.

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.

The Bank assigns Public Accounting Firm with robust reputation in accordance with the public accountant professional standard and affiliated with an International Public Accountant Firm. Legality of work agreement and scope of audit are covered in the Engagement Letter signed by the Bank and the Public Accounting Firm every year before the annual audit commenced. The Public Accounting Firm assigned by the Bank, as external auditor registered in Financial Services Authority (OJK), will communicate directly with OJK about the condition of the Bank, in line with the preparation and implementation of the audit process.

The appointment of Public Accounting Firm for the Bank has been in accordance with the prevailing law and regulations. Based on power and authority granted by General Meeting of Shareholders to assign Public Accounting Firm registered in OJK, the Board of Commissioners has assigned KAP Tanudiredja, Wibisana, Rintis & Rekan as the Bank's independent Public Accounting Firm that audits the Bank's Annual Report for 2019.

KAP Tanudiredja, Wibisana, Rintis & Rekan has completed their audit on the Bank's 2019 financial statements and reported the audit result to Bank on 6 March 2020 and was capable to work independently, fulfilled the public accountant professional standard and the engagement agreement as well as the determined audit scope.

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 in a good manner and had provided management with the overview of the Bank's risk profile.

Responsibilities of Risk Management Working Unit included the following:

- Monitoring the implementation of risk management strategy as approved in the Risk Management Committee meeting or already approved by Board of Directors.
- Monitoring overall positions/exposures of risks, per type of risk or per business/functional activity.
- Conducting periodic review on the risk management process.
- Applying stress testing to find out impact of the implementation of risk management policy and strategy on performance of each operational work unit.

- Reviewing proposals of new activities and/or products submitted or developed by a particular unit. The review focuses on the Bank's ability to perform new activities/products in terms of reliability of the system and procedural safety as well as its impact on Bank's risk exposure.
- Giving a recommendation on the extent or maximum of risk exposure to maintain by the Bank to the Risk Management Committee.
- Evaluating accuracy and validity of data used by the Bank for risk measurement.
- Preparing and submitting a risk profile report to the Director of Risk Management and the Risk Management Committee on a quarterly basis, or earlier for certain types of risk that may change rapidly in accordance with the changes in business condition.

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.

DETAILED LARGE EXPOSURE

Table of Fund Provision to Related Party and Large Exposure as of 31 December 2019

No	Fund Provision	Amount	
		Debtors	Nominal Rp million
1	To Affiliated ¹⁾	67	9,853,790
2	To Core Debtors		
	1. Individual	7	4,650,960
	2. Group	18	28,606,396

¹⁾ Including fund provision to prime bank related parties

RISK PROFILE

Overall, the Bank's risk rating per position 31 December 2019 is at Rank 2. All risk ratings are at the level of risk Low to Moderate or Low, except Credit Risk which is ranked Moderate.

RISK MANAGEMENT CERTIFICATION

The Bank's officials and employees have attended Risk Management Certification periodically. During 2019, the total number of officials and employees who have attended Risk Management Certification examination and refreshment is 503 participants, which is 30% higher than last year.

Risk Management Process

The implementation of risk management at the Bank is conducted in accordance with Financial Services Authority regulation.

Risk Management Unit has identified eight key risks faced by the Bank: credit risk, market risk, liquidity risk, operational risk, reputational risk, legal risk, strategic risk, and compliance risk.

Good Corporate Governance

REMUNERATION DISCLOSURES 2019

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 143.

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 honorarium and other allowances payments as Independent Commissioner

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 very best talents regardless of gender, ethnicity, age, disability or any other factor unrelated to performance, while performing their roles in the long-term interests of the Bank.

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:

- Behavioural rating for all employees
- Performance management
- Conduct recognition

Remuneration Key Principles

Principle	Our approach in 2019
Performance and pay decisions that are fair, appropriate and free from bias	<ul style="list-style-type: none"> • Workforce pay review reports were provided for senior manager review and presented to the Remuneration and Nomination Committee. • We increased the use of simplified or guided decision making to support managers to make informed, consistent and fair pay decisions.
Reward sustainable performance and values-aligned behaviour	<ul style="list-style-type: none"> • Clear pay differentiation across both performance and behaviour ratings supported by a robust performance management process taking into account individual, business and Bank performance. • We recognised examples of exceptional positive conduct through an increase in variable pay, and applied a reduction in variable pay for misconduct or inappropriate behaviour that exposes us to financial, regulatory or reputational risk.

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.

The fixed remuneration is a pre-determined, non-deferred compensation that is paid on a regular basis e.g. basic salary, THR, cash allowances, etc which is expected to meet the employee's basic day-to-day cost of living.

To motivate and appreciate the employee contributions to the Bank, eligible employees are rewarded with variable remuneration on a discretionary basis and dependent upon business and individual performance.

These fixed and variable remuneration review considerations are as follows:

- The Bank's financial performance.
- Individual performance.
- Relativity with peer group in the Bank and external market.
- Scarcity of position in the market.
- Adherence to the regulations (for example, the minimum wage and labour laws).
- Pay scale as a guide for the minimum salary and maximum salary for a given level. Any employee whose fixed pay is lower than the minimum scale, a review is required for possible increase in stages to catch-up with the minimum scale.

Principle	Our approach in 2019
Competitive, simpler and more transparent total compensation packages	<ul style="list-style-type: none"> 93% of our junior employees are now covered by simplified or guided decision making on variable pay, through the extension of Streamlined Variable Pay (SVP) and Guideline Variable pay (GVP). Country Fixed Pay and mandatory adjustments ensured fixed pay increases were consistently targeted towards our junior population where fixed pay represents a higher proportion of total compensation Pay outcomes were informed by market position.
Empowerment of managers through effective communications and tools	<ul style="list-style-type: none"> We delivered effective and enhanced guidance materials to support managers make fair and appropriate decisions at key stages in the process. We drew managers' attention to the benefits of utilising the reporting tools and available system functionality.

Independent Remuneration review

The Remuneration and Nomination Committee (RNC) evaluates the aggregate employee remuneration, line-by-line remuneration of the Commissioners and Directors and provides recommendation to the Board of Commissioners and reported in the Annual General Meeting of Shareholders.

Remuneration Policy Scope and Implementation 2019

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.
- Employee Recognition and Conduct framework policy was launched in 2019 for managing employee conduct which focuses on both incentivising positive conduct and discouraging poor conduct; to cover both positive and negative conduct with the implementation of Everyday Performance and Development (EPD), At Our Best Recognition (AOBR), year-end performance and behaviour rating and variable remuneration adjustment.
- Reportable incidents and misconduct events were identified and reviewed as part of incentivisation of compliance and reported to the Remuneration and Nomination Committee.
- Material Risk Takers (MRTs) 2019 identified with qualitative and quantitative methodology set out by the Bank based on regulation and a portion of variable remuneration will be deferred from 3 to 5 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.

To provide fair remunerations, the Bank is applying pay differentiation with basis of performance achievement, expertise and market data for the appropriate position.

The performance evaluation of the members of the Board of Directors are performed by the Remuneration and Nomination Committee based on recommendation 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 Annual General Meeting of Shareholders.

Adjustment of 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 from 40% if the total compensation is greater than the amount equivalent to GBP 500,000 or variable remuneration is more than 33% of total compensation.
- 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, which will vest in 3 years.

Good Corporate Governance

- c. 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 to obtain remuneration data from the banking industry 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 Type 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	48,527	3*	4,931
2 Other facilities in the form of natura (housing, transportation, health insurance, etc.)	8	11,818	3*	105
TOTAL	8	60,345	3*	5,036

* Number of the Board of Commissioners who received the remuneration

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.

Rewards 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 to five 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	13,624	3*	-	3,964	220,708

Positions of Material Risk Takers 2019

The Material Risk Takers positions identified in 2019 are based on quantitative and qualitative criteria consist of 6 (six) individuals, as follows:

- President Director
- Risk Management Director
- Head of Global Market and HSS
- Retail Banking and Wealth Management Director
- Operations and IT Director
- Head of Global Banking

Ratio of highest and lowest salary

Remarks	Ratio
Ratio of highest and lowest employee salary	142 : 1
Ratio of highest and lowest of Director salary	3 : 1
Ratio of highest and lowest Commissioner Honorarium	11 : 1
Ratio of highest Director salary and highest employee salary	1.2 : 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	-	-	-	-	5	2,162

Number of Terminated Employees and Total Nominal of Severance Paid 2019

124 individuals employment were terminated with total severance pay of Rp71,617 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	24
Above Rp500 million up to Rp1 billion	18
Below Rp500 million	82
TOTAL	124

Good Corporate Governance

Total amount of Deferred Variable Remuneration paid in 1 (one) year 2019

There was no deferred variable remuneration from PY2018 award and paid in 2019

Deferred Variable Remuneration

	2019	2018
Deferred Variable Remuneration (in Million Rupiah)	12,839	29,172

Details total Remuneration provided in 1 (one) year for MRT

		2019
A. Fixed Remuneration (in Million Rupiah)		
1. Cash		35,564
2. Shares or share-based instruments		-
	Non-deferred	Deferred
B. Variable Remuneration (in Million Rupiah)		
1. Cash	7,765	3,961
2. Shares or share-based instruments	5,853	4,518

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)	8,311	-	-	-
2 Shares or share-based instruments	10,388	-	-	-
Total (in Million Rupiah)	18,699	-	-	-

INTERNAL FRAUD

During 2019, 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 Rp 100,000,000.

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 2019, the Bank has received a total of 7,970 complaints, of which the majority were related to the payment system of credit cards and ATM.

As at 31 December 2019, 99.23% of the total complaints received had been resolved by the Bank, with the remaining 0.77% still actively being resolved.

Customer Complaint Handling

Period January – December 2019

No	Types of Financial Transaction	Completed		In Process *		Non completed		Total Complaints
		Total	%	Total	%	Total	%	
1	Fund gathering – Current Accounts	-	0.00%	-	0.00%	-	0.00%	-
2	Fund gathering – Savings	32	100.00%	-	0.00%	-	0.00%	32
3	Fund gathering – Deposits	3	100.00%	-	0.00%	-	0.00%	3
4	Fund gathering - Interbank	-	0.00%	-	0.00%	-	0.00%	-
5	Fund gathering - Others	24	100.00%	-	0.00%	-	0.00%	24
6	Credit/Financing - Investment	-	0.00%	-	0.00%	-	0.00%	-
7	Fund provision – Credit/Financing - Working Capital	-	0.00%	-	0.00%	-	0.00%	-
8	Fund provision – Credit Financing – Consumption (other than credit card)	56	100.00%	-	0.00%	-	0.00%	56
9	Fund provision - Interbank	10	100.00%	-	0.00%	-	0.00%	10
10	Fund provision - Others	91	97.85%	2	2.15%	-	0.00%	93
11	Payment System – ATM and/or Debit Cards	1,126	97.40%	30	2.60%	-	0.00%	1,156
12	Payment System – Credit Cards	3,988	99.48%	21	0.52%	-	0.00%	4,009
13	Payment System – Prepayment Cards	-	0.00%	-	0.00%	-	0.00%	-
14	Payment System – Direct Debit	-	0.00%	-	0.00%	-	0.00%	-
15	Payment System – Standing Instruction	-	0.00%	-	0.00%	-	0.00%	-
16	Payment System – Travelers' Cheque	-	0.00%	-	0.00%	-	0.00%	-
17	Payment System - Clearing	5	100.00%	-	0.00%	-	0.00%	5
18	Payment System - RTGS	9	100.00%	-	0.00%	-	0.00%	9
19	Payment System – Electronic Banking	217	99.54%	1	0.46%	-	0.00%	218
20	Payment System - Remittance	21	100.00%	-	0.00%	-	0.00%	21
21	Payment System - Others	125	100.00%	-	0.00%	-	0.00%	125
22	Joint Products - Bancassurance	-	0.00%	-	0.00%	-	0.00%	-
23	Joint Products – Mutual Funds	-	0.00%	-	0.00%	-	0.00%	-
24	Joint Products - Others	40	100.00%	-	0.00%	-	0.00%	40
25	Other Product – Bank Guarantee	-	0.00%	-	0.00%	-	0.00%	-
26	Other Product – Trade Finance	2	100.00%	-	0.00%	-	0.00%	2
27	Other Product – Derivative	-	0.00%	-	0.00%	-	0.00%	-
28	Other Product – Wealth Management	7	100.00%	-	0.00%	-	0.00%	7
29	Other Product – Safe Deposit	-	0.00%	-	0.00%	-	0.00%	-
30	Other Product - Others	2,153	99.68%	7	0.32%	-	0.00%	2,160
TOTAL		7,909	99.23%	61	0.77%	-	0.00%	7,970

* Data is as at 31 December 2019. At the time of publication, these customer complaints have been settled within the OJK requirement.





Chapter

06

CORPORATE SUSTAINABILITY

Corporate Sustainability

SUSTAINABILITY

The implementation of financial sustainability programme undertaken by PT Bank HSBC Indonesia (“Bank”) is in compliance with the Financial Services Authority (OJK) Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. The Bank also adopts guidelines issued by HSBC Group.

The sustainability vision determined by the Bank is “Building a Sustainable Future.” The Bank is committed to supporting responsible economic growth and carry out low-carbon transition through sustainable finance.

The focus of Corporate Sustainability is environment and community investment, particularly education and social welfare.

The Bank contributes for sustainable development in Indonesia through various social programmes mainly in education as well as social welfare.

Programmes were delivered in collaboration with local partners that have competence and direct access to the society and areas in needs to make the programme on target. The objectives of Corporate Sustainability programmes are to improve people’s welfare in the long run and support sustainable economic growth across Indonesia.

Programmes that have been implemented in 2019 among others are:

Education

In 2019, the Bank carried out educational social programs for different social groups covering financial literacy and business as well as employability skills.

Financial literacy and business education programme is in line with the direction from OJK on the Blueprint of Indonesia’s National Strategy for Financial Literacy. This programme aims to improve the public’s understanding of financial products and services. Through business education, students are introduced to the business world via the HSBC Business Case Competition, which aims to improve students’ analytical capacity and business intuition.

The targets of financial literacy and business education are students (from elementary level to university), teachers / lecturers, housewives that run household-scale businesses as well as the general public.

For employability skills, the Bank introduced the Core Skills concept, also known as the 21st Century Skills, that aims to assist students in facing challenges and changes on the job.

No.	Programme	Activities	Programme Achievement	Budget Allocation (Rp)
1	JA More Than Money	JA More Than Money Programme teaches students on how to earn money, spend money, give and save money. This Programme is targeted for junior high school students.	This programme has been carried out in 11 cities across Indonesia and involved more than 3,000 students, parents, and teachers.	810,000,000
2	Anak Cerdas Versi Online	Anak Cerdas Online Version Programme is an interactive financial education programme targeted to elementary school students so students can learn basic financial values such as differentiating needs and wants through fun learning.	Since it was launched, this programme has recorded more than 600 new users coming from across Indonesia.	506,908,000
3	HSBC Business Case Competition	HSBC Business Case Competition is a unique education Programme aimed to grow young business talents in Indonesia. This programme provides opportunities for university students to implement and develop their quantitative, qualitative, and communication skills. The university students will compete on business strategy and presentation. The winning team will participate in regional competition in Hong Kong. The aim of this competition is to explore innovation and analytical skills from university students, obtain presentation from the real business world, expand professionalism and social network as well as building their own portfolio.	A series of educational activities has been carried out in four different cities in Indonesia: Jakarta, Bandung, Yogyakarta and Surabaya and involved more than 250 university students and 15 universities.	770,715,000
4	HSBC Educenter of Banking and Finance	HSBC Educenter of Banking and Finance programme aims not only to improve financial literacy among university students, lecturers, and social group but also prepares the students to enter the job market. Activities conducted included workshops and trainings in personal finance management and small business and communities.	This activity has been carried out in several big cities in Indonesia: Medan, Batam, Balikpapan, Makassar, Sidoarjo, and Denpasar and involving more than 1,250 participants of university students, lecturers, professionals, and the public.	2,372,000,000
5	Work Ready	The programme is aimed at vocational school students to prepare for work. The programme involves students as well as teachers and headmasters.	Work Ready activities were held in 10 vocational schools in Jakarta, involving 2,500 students, 450 teachers and 120 headmasters.	2,175,000,000
6	Rumah Belajar Batik	A programme designed to preserve culture and support the growth of creative economy by teaching skills for drop-out students and unemployed workforce.	Rumah Belajar Batik was established in Semarang and targeted 140 youth aged 18-30 years old.	1,692,832,000
7	Centre of Excellence-Ready to Work Youth Employment Programme	This programme that aims to improve financial ability and readiness for job market is given to young generation who are underprivileged through cooperation with Job Training Centre in Central Java. Activities include workshops, trainings, and providing teaching modules.	This activity provides benefit for 3,000 young generation who are underprivileged, drop-outs and unemployed.	4,724,649,000

Corporate Sustainability

No.	Programme	Activities	Programme Achievement	Budget Allocation (Rp)
8	Green School Library	As part of our support for character building and local wisdom, this programme is meant to improve literacy of students and teachers in SDN 27 Sekumbak, Sambas, West Kalimantan.	Activities conducted include building library, book donations and trainings for teachers, students, and school staff.	255,289,000
9	Developing Future Talent	This programme that is conducted in SOS Children Village's Bali aims to assist young generation to face various challenges and prepare their skills in entering job market with various future skills.	English lessons, financial skills, entrepreneurship, marketing and others. Trainings are targeted for 63 young generation aged 15-23 years old.	246,300,000

Environment

The Bank is committed to supporting global transition towards low-carbon world. It is carried out through operational activities that implement sustainability principles and support customers and supply chain to jointly support reduction of negative impact on environment.

The Bank continues to actively participate in sustainable environmental conservation programmes as follows:

No.	Programme	Activities	Programme Achievement	Budget Allocation (Rp)
1	Sustainable Sourcing for Seaweed Industry in Indonesia	This programme provides long-term support both in form of training or environmental-friendly production standard for the sustainability of seaweed industry and commodity.	This programme is carried out in Surabaya and Makassar involving members from association, traders and seaweed farmers in Surabaya and Makassar.	1,000,013,000
2	Towards Sustainable Coffee Production	This programme aims to support natural conservation as well as sustainability of coffee industry and commodity in Indonesia.	Activities such as training, workshop and introduction on sustainability standard of this coffee industry is targeted to at least village coffee farmers in Cibulao, West Java, members of association and coffee traders as well as coffee industry players in Indonesia, particularly in West Java.	1,092,656,000
3	Enhanced Awareness on Sustainable Finance for Financial Institutions	This programme is part of Sustainable Finance that aims to support the creation of awareness and commitment of financial industry to improve sustainable performance from the financed sector.	The activities carried out are among others facilitate dialog between stakeholders, private sectors, governments, research institutions, NGOs, and experts to identify, seek for solution as the answer to sustainable finance issues. The activity is expected to reach 250 employees in banking through various workshops/ trainings.	756,900,000

Social and Community Welfare

The Bank is committed to supporting inclusive growth that is capable of realising the society's potential in economic and community development. This social empowerment programme aims to encourage community groups to become more independent, as well as to foster a better quality of life. This programme focuses in providing new skills and information access to create new opportunities to participate in larger social life.

In 2019, the Bank conducted Ramadan Berdaya Programme as a villagers empowerment programme and as a form of our concern to the people who were impacted from natural disasters in Jakarta, Banten, Lombok and Palu.

No.	Programme	Activities	Programme Achievement	Budget Allocation (Rp)
1	Ramadhan Berdaya	Marking Ramadan as a sharing month, Ramadan Berdaya Programme organizes various activities, not only breakfasting, but also shares daily needs in natural disaster areas.	This activity was conducted in Jakarta, Banteng, Lampung, Lombok, and Palu for more than 1,000 orphans and underprivileged families.	429,316,000

PLAN, FOCUS, AND PROGRAMMES IN 2020

The Bank in 2020 emphasized its commitment towards the implementation of sustainable programmes. The implementation of sustainability strategies are expected to be able to support sustainable economic growth. The priority of sustainable programmes implementation in 2020 include:

1. Providing skillset trainings for youth so they will succeed in competing in the global economy.
 - Financial literacy: Educating young people on business world and their ability to manage money.
 - Employability: Helping future generation to develop their skill and ability to succeed in competing in the global economy.
2. Supporting the development of new business and sustainable international growth.
 - Entrepreneurship: Supporting young entrepreneurs through trainings and financial support.
 - Sustainable supply chain: Helping customers to realise trade and international business activities as well as improving their supply chain quality.
3. Supporting business transition towards low-carbon economy.
 - Sustainable finance: Investing in sustainable economic growth and helping clients in managing transition risk.
 - HSBC carbon footprint: Reducing direct impact of HSBC for the environment.

Each of these priorities will be supported by various commercial activities, partnerships, community investment, and employee involvement. The Bank aims for these priorities to make the Bank as a leading institution in implementing and promoting sustainable businesses.



Chapter

07

CORPORATE DATA

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 ADYTHIA

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.

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.

ANURAG SAIGAL

Deputy to CMB Director

He has served as Deputy to CMB Director PT Bank HSBC Indonesia since 1 June 2018. He obtained Master of Business Administration from London Business School, UK.

WIWIEN WIDYANTARI

Head of Internal Audit

She has joined as Head of Internal Audit PT Bank HSBC Indonesia since 25 November 2019. She obtained Master Degree in Commerce majoring Banking and Finance from University of New South Wales, Australia.

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.

SARIANI SADIKUN

Acting Head of Wholesale Credit Approval

She has served as Acting Head of Wholesale Credit Approval Officer PT Bank HSBC Indonesia since 27 June 2019. She obtained Bachelor of Science with major in Computer Application & System from California State University of Fresno, USA.

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 FI, Lantai 1 - 2, Jl. Sukajadi 232, Bandung, 40153
- Jl. Ir. H. Djuanda No. 74, Bandung, 40132

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

Jakarta Barat

- 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 JI No. 2O - P, Jakarta, 11610
- Jl. Hayam Wuruk No. 106D, Kel. Maphar Kec. Taman Sari, Jakarta 11160
- 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

Jakarta Pusat

- 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
- Jl. Kopi No. 2K, Jakarta, 11230

Jakarta Selatan

- 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

Jakarta Timur

- Jl. Pemuda Blok W Kav. 706, Jakarta, 13220

Jakarta Utara

- 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

Address of Offices & Branches

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. 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. 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

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. Sisingamangaraja no.27, Kelurahan Wonotingal, Kecamatan Candisari, Semarang 50253.

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
- 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



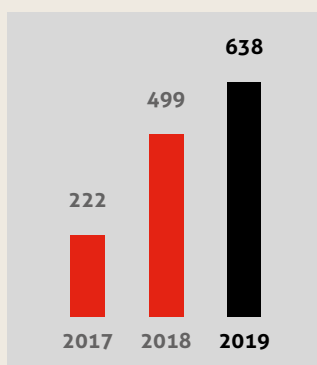
SUSTAINABILITY REPORT

Economic Aspects

Distribution of Benefits to the Indonesian Economy (Rp billion)

Payments to Funders
(Cost of borrowing)

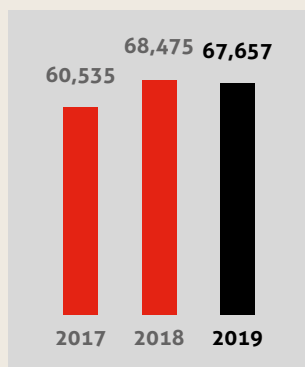
638



Overall Product Performance (Rp billion)

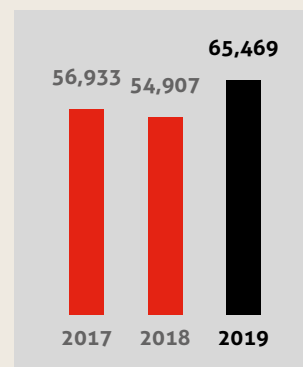
Loans to Customers
- gross

67,657



Deposits from
Customers

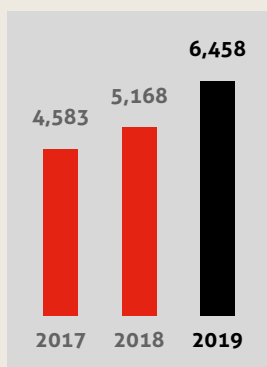
65,469



Economic Performance (Rp billion)

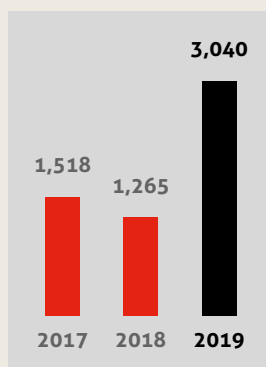
Operating
Income

6,458



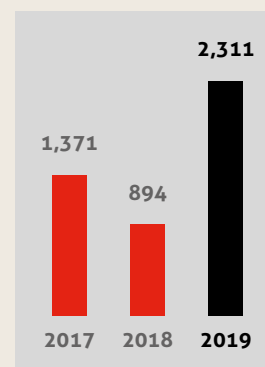
Profit
before tax

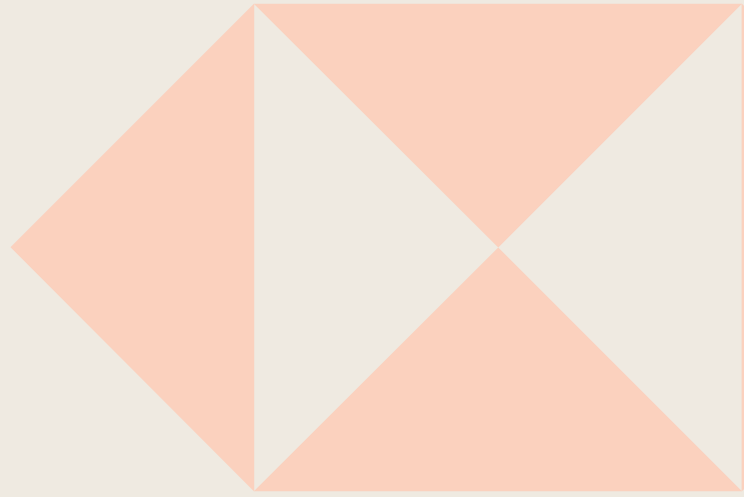
3,040



Net
profit

2,311





Environmental Aspects

138,000



Papers

Eliminated by automating internal processes

12%

Cut down electricity consumption after utilising the latest technology such as LED lightings and light sensors.

26%

Reduced Carbon Foot Print

Data Centre operations by applying more energy efficient technology.

Social Aspects

55.07%

The number of female employees

4,811

participants.

The number of employees participating in trainings

ABOUT THIS REPORT

PT Bank HSBC Indonesia (“Bank”) Sustainability Report for the fiscal year 2019 presents information on sustainable activities related to profit, planet and people. This report is part of the Bank’s Annual Report, in compliant with the Financial Services Authority (OJK) Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies.

This report has been prepared based on the principles of implementation adopted from the Bank’s parent company, the HSBC Group.

The coverage contained in this report is from 1 January to 31 December 2019.

This report is intended for the Bank’s stakeholders to note the performance and approach taken by the Bank in managing its responsibilities to implement sustainable finance in Indonesia. This is also part of the application of the principle of compliance with applicable regulations.

The Bank has not carried out external assurance in this 2019 Sustainability Report.



POLICY AND **SUSTAINABILITY** **STRATEGY**

Our sustainable finance programme is guided by the OJK Regulation Number 51/ POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. In addition, the Bank also adopted a decree formulated by the parent company, HSBC Holdings Plc.

Being part of the HSBC Group, the Bank is committed to supporting clients' expectations in achieving their goals of prosperity. The Bank likewise recognises the importance of playing a role in meeting the needs of a changing world, which is leading to low carbon era.

The Bank is a member of the Indonesian Sustainable Financial Initiative (IKBI) to allow the Bank to contribute to the development of sustainable finance in Indonesia.

Strategic Initiatives in 2019

In 2019, the Bank focused on the following priorities to accelerate sustainable growth:

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

Sustainable Financial Action Plan (RAKB)

PT The Bank has in place a Sustainable Financial Action Plan (RAKB) for 2019-2023. The RAKB has been approved by the Board of Commissioners and the Board of Directors and submitted to OJK. The following is a summary of the RAKB.

Vision and Mission in Sustainable Financial Implementation

Our sustainability vision is "Building a Sustainable Future" to provide us a business direction to participate in developing a responsible economic growth.

Sustainable Financial Action Plan Objectives

The Bank's main objective is to provide sustainable financing that enables the transition to a low carbon economy and facilitate clients manage the risks caused by the transition.

The Bank defines sustainable finance as any form of financial service that integrates environmental, social and governance criteria into its business or investment decisions. Sustainable funding includes the financing and investment activities needed to support the UN's sustainable development goals (SDGs), especially actions to deal with climate change.

2019 - 2023 Action Plan

The Bank has prepared an action plan for sustainable finance, focusing on:

1. Training and education.
2. Lead and form a debate forum about sustainable financial and investment activities.
3. Transition Risk
4. Sustainable operations.
5. Enhance and promote sustainable investment products.

Furthermore, the Bank is actively engaging clients in carbon sectors to assist and support their transition strategies in reducing greenhouse gas emissions.

In detail, the plan is formulated as follows:

Year	Priority Target
2019	<ul style="list-style-type: none"> Develop our employees' knowledge through training and activities involving employees. Position the Bank as a company that is recognised as having expertise in sustainable finance. Invite customers to comprehend the risks that can affect businesses and support them in the transition to a low carbon economy. Play a key role in supporting the transition to a low carbon economy, both through its own operational activities and supporting clients in their transition strategies.
2020	<ul style="list-style-type: none"> Social, environmental and governance risks have been integrated in the Bank's business activities.
2021	Conduct studies related to: <ul style="list-style-type: none"> Market demand related to sustainable financial products and / or services. Compatibility of existing products and or services with criteria for sustainable business activities. Development of sustainable financial products and / or services. Integration of social, environmental and governance risk management in the Bank's business activities.
2022	Provides ongoing financing and investment in all customer and product groups.
2023	Since the first year of implementation, the ongoing portfolio has increased.

Programme Implementation Evaluation System

The sustainable finance working group develops methodologies and tools to achieve objectives. The methodologies and tools include:

- Analysing approaches and indicators currently used to measure the implementation and impact of sustainable finance.
- Designing framework for assessing progress.

2019 Programme Realisation

Throughout 2019, the Bank has delivered the RAKB initiatives. The explanation is presented in the table below.

No	Programme	Realisation / Activity
1	The development of our employees' knowledge through training and activities involving employees.	<ul style="list-style-type: none"> Conducting risk management policy training activities for relationship managers. Quarterly meetings between green champions, relationship managers and team leaders about the progress and renewal of sustainable financial activities. Internal workshops and training on sustainable financial activities.
2	Position the Bank as a company that is recognised as having expertise in sustainable financial activities.	Conferences and events on sustainable financial activities, both internally and externally.
3	Invite customers to understand the risks that can affect businesses and support them in the transition to a low carbon economy.	Development and implementation in client planning.
4	Play a key role in supporting the transition to a low carbon economy, both through its own operational activities and supporting clients in their transition strategies.	Environmental performance scorecard.

Sustainability Vision and Mission

Sustainable Vision and Mission

“Our sustainability vision is “Building a Sustainable Future” to provide us a business direction to participate in developing a responsible economic growth.”

Values

Reliable

- Uphold the truth, fulfil commitments, unyielding and trustworthy.
- Be personally responsible, assertive, use judgment and common sense, empower others.

Receptive to different ideas and cultures

- Communicate unwaveringly, honestly and transparently, accept challenges, learn from mistakes.
- Listen, treat people impartially, accept diversity, respect differences of opinion.

Connect with customers, the public, regulators and others

- Building connectivity, knowing a variety of external topics, collaborating across borders.
- Caring for others and their progress, showing respect, supportive and responsive.

Sustainable Culture Building

PT Bank HSBC Indonesia (“Bank”) is committed to building a culture of sustainability with stakeholders.

For its employees, the Bank develops knowledge and capabilities through training, seminars, as well as volunteering opportunities for climate change activities.

The Bank also support customers through consultancy to respond to climate change risks and opportunities. As for other stakeholders, the Bank shares thought leadership through meetings, forums and conferences as speakers.

Scale of Business

(Rp Billion)

Description	2019	2018	2017
Asset	111,860	108,961	101,018
Liability	93,724	93,305	86,150
Equity	18,136	15,656	14,868

Number of Employees

The number of Bank's employees as of 31 December 2019 were 3,797. Of these, 55.07% were female and 44.93% were male.

More detailed demographics of Bank employees are presented on page 64.

Association Membership

The Bank is member of various business organisations or associations that are in line with the Company's line of business.

Name of Association	Purpose	Position in Association
IBCSD - Indonesia Business Council for Sustainable Development	Having a commitment to action and the objective to share experience, our purpose is to engage in sustainable development and obtain information on business insights. We also seek business networks to establish a sustainability strategy and possible peer companies for greater collective impact.	Member
IKBI – Inisiatif Keuangan Berkelanjutan Indonesia	Industry led association aimed at creating financial solution that address climate resilient and efficient economies as well as capturing new business opportunities and also to connect to the green/sustainable, climate and SDG related funds.	Member
MVB – Most Valued Business Indonesia	To improve on the subject of sustainable development through education, collaboration and the promotion of corporate responsibility starting with core corporate values with opportunities to obtain the knowledge, links and platform.	Member
Compliance Director Communication Forum (FKDKP)	Forum for communication and consultation between Compliance Director within the Indonesian banking industry.	Member
Indonesian International Bank Association (Perbina)	Association to channel international banks aspirations to the government, Parliament and regulators of the banking industry (OJK & BI)	Member
Indonesian Bank Association (Perbanas)	Association to channel banking aspirations to the government, Parliament and regulators of the banking industry (OJK & BI)	Member
Indonesia Credit Card Indonesia (AKKI)	Association to establish a healthy and responsible credit card industry for credit card Issuers, Card Holders, Merchants, Principals (American Express, JCB International, MasterCard International and Visa International) and other relevant parties	Member
Indonesian Payment System Association (ASPI)	Association to accommodate the latest developments in the implementation of payment systems from various sides, both business and technical	Member

Name of Association	Purpose	Position in Association
Indonesia Employers' Association (APINDO)	Association to accommodate, initially, issues related to industrial affairs and now expanded to industry and national affairs.	Member
British Chamber of Commerce (Britcham)	Represent the common interest of the British business community in promoting bilateral trade, services and investments between the United Kingdom and Indonesia, as well as the region.	Member
European Chamber of Commerce (EuroCham)	Represents the common interests of the European business community in promoting bilateral trade, services and investments between Europe and Indonesia, as well as the region.	Member
Mutual Funds Association of Indonesia (APRDI)	The association for mutual fund management banks in Indonesia to discuss industry related issues as well as serves as a collective voice to make representation on behalf of the industry.	Member
Indonesian Custodian Bank Association (ABKI)	The association for custodian banks in Indonesia to discuss industry related issues as well as serves as a collective voice to make representation on behalf of the industry.	Member
Indonesia Corporate Secretary Association (ICSA)	The Association to increase the professionalism of Corporate Secretary in Indonesia and to support the efforts of developing good corporate governance, through the development of knowledge and skills, information exchange and communication forum between the Corporate Secretaries, regulators and other stakeholders.	Corporate Secretary as a Member
Indonesia Foreign Exchange Market Committee (IFEMC)	Committee to discuss issues related to the development of Indonesian financial market, among market players, financial market associations, Bank Indonesia and Financial Services Authority (OJK), to strengthen the integrity and reputation of Indonesian financial market as well as national economy.	Co Chairman

Significant Changes

During 2019, the Bank did not experience significant changes, both related to the opening and closing of new branches and the structure of share ownership.

More complete information about the Bank is presented in the "Financial Highlights" and "Company Profiles" sections of this Annual Report on pages: 5 and 24.

Report of The Board of Directors

The Board of Directors report on the commitment and sustainable financial implementation of PT Bank HSBC Indonesia is submitted together with the Board of Directors Report on the Annual Report on page 14.



SUSTAINABLE **GOVERNANCE**

Sustainable Governance

The Bank is committed to upholding good corporate governance standards (GCG), adopting best business practices.

The Bank fulfills its responsibilities to stakeholders through a variety of means, including disclosure of information. The Bank also realises the importance of the application of human rights principles and ethical standards in the work environment and supply chain.

The Bank also recognises broader role to raise financial literacy and inclusion. For this reason, the Bank puts in place programmes to help the public understand financial services.

To support the implementation of sustainable finance, the Bank is also supported by the HSBC Group's Centre of Sustainable Finance which publishes research reports related to the principles of sustainable finance, including energy advancement and climate change.

Our sustainable finance practice is subject to requirements of OJK Regulation Number 51/POJK.03/2017 concerning the Application of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies and related regulations. The Bank has also adopted guidelines set by the HSBC Group.

In addition, this report also refers to the Sustainability Reporting Standards and Financial Services Sector Disclosure (FSSD) issued by the Global Reporting Initiative (GRI).

Duties, Authorities and Responsibilities of the Board of Commissioners and Board of Directors

In general, the Board of Commissioners (BOC) and the Board of Directors (BOD) drive and promote the Bank's long-term success and realise sustainable value to shareholders.

Initiatives related to the implementation of the integration of environmental, social, and governance (LST), the Board of Commissioners carry out its oversight system; while the Board of Directors is responsible for delivering the implementation report.

The BOD is regularly updated on ongoing initiatives. The updates cover the implementation of the three pillars: people, planet and profit as well as the progress of relationship or interaction with relevant stakeholders, such as non-governmental organizations.

The Bank establishes a working group on sustainable finance. This working group is tasked with coordinating business units and support units in implementing the Sustainable Financial Action Plan.



A full description of the duties, authorities and responsibilities of the BOD and the BOC is covered in the “Good Corporate Governance” section in this Annual Report on page 134.

Development of Sustainable Financial Competencies

In 2019, the BOD participated in the activities of the IKBI, namely the IKBI Directors Dialogue on Sustainable Finance and the IKBI Conference on Sustainability Finance.

The Bank has also participated in “Sustainable Business: Risks and Opportunities for FMCG Companies & Supply Chains” event held in August 2019.

More complete explanation on the competency development is presented in the Business Support Review, Human Resources section contained in this Annual Report on page 64.

Implementation of Sustainable Risk Management

The Bank has procedures for identifying, measuring, monitoring and controlling risks for the implementation of sustainable finance. This includes the role of the BOD is managing the effectiveness of the company's risk management process.

The Bank's risk management practices are subject to requirements of OJK Regulation Number. 18 /POJK.03/2016 and Circular Letter No 34/SEOJK.03/ 2016 concerning the Implementation of Risk Management for Commercial Banks.

To comply with the regulatory requirements, the Bank put in place a Risk Management governance to enhance trust given by customers, regulators and shareholders and public trust.

On sustainable risk policy, the Bank has identified several importance sectors. These include agricultural commodities, chemicals, defense, energy, forestry, mining and metals, UNESCO World Heritage Sites, and wetlands established by the Ramsar Convention or the Convention on Wetlands of International Importance especially as Waterfowl Habitat.

The Bank also adopts the Equator Principles which provides a framework to assess and manage the social and environmental impacts of large projects financed by banks.

The Bank continues to improve its risk management implementation policy in keeping with market and regulatory developments.

The Risk Management Work Unit is tasked to oversee the development and/or improvement of risk parameters.

The Bank also provides training and capacity building to ensure sustainable risks are understood and embedded.

Stakeholder Engagement

In carrying out its business activities, the Bank always engages stakeholders. The Stakeholders referred to are Customers, Shareholders, Regulators and the Government, Community, Suppliers and Employees,

The Bank believes that a trusting relationship with stakeholders can enhance our profile in the communities and to create long term benefits for stakeholders.

The interactions and cooperation between the Bank and the stakeholders are detailed in the table below.

Stakeholders	Approach
Customer	<p>Customers can provide feedback, complaints, or simply request information relating to the Bank's products and services at any time. In addition, the Bank also surveys customer changing expectations in line with the development of social life to meet the needs and create customer satisfaction.</p> <p>The engagement is done through:</p> <ul style="list-style-type: none"> • Meetings • Branch office • Internet Banking and Mobile Banking • Call Centre • Website • Customer Satisfaction Survey • Customer events
Shareholders	<p>The Bank submits regular reports to shareholders regarding its financial and operational performance, implementation of the Bank's strategy, corporate actions and the latest corporate information. The Bank reports through the General Meeting of Shareholders/GMS (Annual GMS and Extraordinary GMS), Annual reports, and Sustainability Reports.</p> <p>The interaction between shareholders and the Bank is carried out in accordance with the rights of shareholders stipulated in the applicable laws and regulations, including Law Number 40 of 2007 dated August 16, 2007 concerning Limited Liability Companies.</p>
Regulator and Government	<p>Regulators and the Government are related in the banking industry, especially Bank Indonesia and the Financial Services Authority in the context of implementing compliance with applicable laws and regulations.</p> <p>The Bank continues maintaining good communication and regularly submits various reports and attends meetings.</p>
Public	<p>Community approach is carried out through information disclosures in line with the transparency principles.</p> <p>Moreover, the Bank also deals directly with communities, including through corporate social responsibility and financial literacy programmes.</p>
Suppliers	<p>A mutually beneficial relationship between the Bank and suppliers as Bank partners is facilitated through the development of fair and transparent supply of goods and services.</p>
Employees	<p>The relationship between the Bank and its employees is facilitated through dialogues with unions, trainings, outings, townhalls and emails.</p>

Challenges

The Bank realizes that the application of sustainable finance in Indonesia is currently in early development cycle and we have seen OJK driving the market adoption of standards and practices.

As a member of IKBI, the Bank can participate in advancing sustainable finance in the banking industry. The Bank contributes to studies, research, and bringing HSBC Group's experts to share best practices.



SUSTAINABLE PERFORMANCE

ECONOMIC ASPECTS

Approach

The Bank defines sustainable finance as all forms of financial services that integrate environmental, social and governance (LST) criteria into business decisions or investment. Therefore, sustainable funding includes the financing and investment activities needed to support the Sustainable Development Goals (SDGs) established by the United Nations and specifically actions to combat climate change.

Moreover, the Bank is also committed to supporting financing related to other SDGs objectives, including in the context of community welfare development and improvement, consistent with Bank's vision.

The Bank works closely with customers to help them understand and manage their environmental and social impacts. The Bank puts in place policies on sustainability risk.

The Bank ensures that these policies are consistently applied and embedded in the ways we operate by providing trainings to staff.

To note, we have embedded sustainability risk in our lending business. We are prepared to turn down opportunities and exit customer relationship should we see our sustainability risk appetite potentially compromised.

This commitment is the Bank's approach in realizing sustainable financial principles.

General Performance

As the Bank has embedded sustainability practices in our business and operations, we believe our financial results are reflection of our sustainable practices.

As of 31 December 2019, PT Bank HSBC Indonesia's total assets reached Rp111,860 billion, grew by 2.7% compared to 31 December 2018 position of Rp108,961 billion, which were dominated by loans to customers-net, investment securities, placement with other banks, and placement with Bank Indonesia amounted Rp65,534 billion, Rp14,418 billion, Rp7,697 billion and Rp7,344 billion, respectively.

The Bank booked a net profit of Rp2,311 billion, growing 158.5% compared to 2018 which amounted to Rp894 billion. Excluding one-off tax related items in both 2019 and 2018, this rise in net profit was mainly driven by lower impairment losses in line with relatively improved credit risk and higher trading income resulting from Indonesia's credit rating by S&P.

Detailed discussion of the Bank's performance throughout 2019 is presented in this Annual Report on page 40-63.

Financial Performance

Economic Value Received and Distributed by the Bank

The Bank's financial products and services are developed and offered with the aim of, among others, to improve the quality of life and facilitate the community in carrying out its financial activities, as well as to foster positive impacts for stakeholders and shareholders.

The economic value received by the Bank represents income from its business operations carried out throughout the financial year. Corresponding to the Bank's sustainable financial goals, the profit received is also distributed for the creation of sustainable values.

The Bank's operating expenses in 2019 reached Rp3,425 billion, consisting of employees expenses and other operating expenses, decreased by 13.7% compared to 2018 of Rp3,967 billion. The Bank also included the implementation of Sustainable Financial Programme in its operational activities, such as through system development to support better operational efficiency which includes paper usage and energy saving.

Employee development is an important part of sustainable principles, among others in the context of improving welfare. In 2019, the total costs incurred for employee expenses reached Rp1,949 billion, a 3.8% increase compared to the previous year of Rp1,877 billion.

Contribution to Government and compliance to regulation are reflected among others in payment of income tax and other taxes to Indonesian government. In 2019, the total income tax expense amounted Rp729 billion, increase by 96.5% compared to 2018 of Rp371 billion.

Tax payments are an important part in the implementation of sustainable finance, as these represent the Bank's contribution to the State in supporting Indonesia's economic growth through development undertakings.

The following are economic values received and distributed by the Bank in the last three years.

Economic Value Distribution Table

(Rp Billion)

Description	2019	2018	2017
Economic Value Received			
Interest Income	6,197	5,976	5,050
Fees and Commissions Income	1,952	1,922	1,419
Trading Income - net	1,340	939	675
Other Operating Income	504	28	28
Total economic value received	9,993	8,865	7,172
Economic Value Distributed			
Interest Expenses	2,217	1,796	1,397
Fees and Commissions Expenses	640	521	355
Employees Expenses	1,949	1,877	1,630
Other Operating Expenses *	1,476	2,090	1,437
Payments to Government (income tax expense)	729	371	147
Total economic value distributed	7,011	6,655	4,966

* Including general and administrative expenses, depreciation expenses of properties and equipment and right-of-use assets, amortisation expenses of intangible assets, and loss from assets held for sale - net.

In terms of banking product performance, the Bank recorded gross loan to customers amounted Rp67,657 billion in 2019. While the Bank's third party fund reached Rp65,469 billion in 2019, an increase of 19.2% compared to 2018 of Rp54,907 billion.

Table of Banking Product Performance

(Rp Billion)

Description	2019	2018	2017
Deposits from Customers	65,469	54,907	56,933
- Demand Deposits	27,964	24,961	25,576
- Saving Accounts	12,399	12,228	13,130
- Time Deposits and Deposits on Call	25,106	17,718	18,227
Loans to Customers - gross	67,657	68,475	60,535

The Bank's profit before tax amounted Rp3,040 billion in 2019, an increase by 140.3% compared to 2018 of Rp1,265 billion. Excluding one-off tax related items in both 2019 and 2018, the profit before tax growth was mainly contributed by lower impairment losses in line with relatively improved credit risk and higher trading income resulting from Indonesia's credit rating by S&P.

Economic Performance Table

(Rp Billion)

Description	2019	2018	2017
Product / Service Quantity	3 (Deposits, loans, other services)	3 (Deposits, loans, other services)	3 (Deposits, loans, other services)
Net Interest Income	3,980	4,180	3,653
Profit before tax	3,040	1,265	1,518
Net profit for the year	2,311	894	1,371

The Bank also supports the achievement of national development goals by providing credit to debtors in various economic sectors.

Table of Loan Distribution by Economic Sector

(Rp Billion)

Economic Sector	2019	2018	2017
Industry	27,616	28,557	22,715
Trading, restaurant and hotel	12,796	13,681	15,079
Mining	4,043	3,204	3,130
Business Services	8,303	8,050	4,140
Construction	4,164	3,887	5,113
Transportation, warehousing and communication	4,563	4,875	4,091
Agriculture plantations and facilities	1,387	1,084	978
Others	4,785	5,137	5,289
Total	67,657	68,475	60,535



SOCIAL ASPECTS

Bank Commitment

The Bank is committed to providing products and services to customers in a fair, equal and transparent manner. This commitment is in compliant with OJK Regulation Number 1/POJK.07/2013 concerning Customer Protection and Circular Letter Number 12/SEOJK.07 2014 concerning Submission of Information in the Context of Product Marketing and/or Financial Services.

The regulation also emphasizes that the Bank must treat its customers equally. For this matter, the Bank has conveyed information on product and services transparently.

The Bank establishes a behavioural framework to ensure that every employee treats customers equally and applies the principle of transparency in its operations.

The framework referred to herein consists of **5 (five) pillars** with 15 objectives to be achieved:



Equality in the Workplace

Employees are an important contributor to success in achieving the Bank's vision, mission and business targets. The management continually encourages employees to speak up.

This is to build a culture within the Bank that supports and promotes correct behaviour so that employees feel empowered to voice their opinions and concerns.

Moreover, gender diversity is a key agenda of the Bank. Thus, the Bank may offer maximum service to customers and added value to stakeholders. In 2019, over 55% of staff is female. Also, the Bank will maintain the current 45% balance of female leaders.

Employee Statistics Based on Gender

Gender	2019	2018	2017
Male	1,706	1,910	2,093
Female	2,091	2,390	2,536

Employee Welfare Level

The Bank has a remuneration system that is designed to attract and motivate the best people without distinction of gender, ethnicity, age, physical condition or other factors not related to the performance or experience. Likewise, the Bank also provides numerous benefits on top of the remuneration, in accordance with regulatory provisions.

The Bank has the opinion that the approach taken in determining remuneration is appropriate and fair in sustaining employee welfare. The Bank regularly evaluates the fulfillment of the equality principle in remuneration.

Highest and Lowest Salary Ratio

	2019	2018	2017
Ratio of highest and lowest employee salary	92: 1	149: 1	142: 1

In determining remuneration, the Bank has considered the applicable regional minimum wage standard. Every Bank employee has received income above the minimum wage per government regulations.

To sustain work and life balance, the Bank has also adopted a long-term leave policy, such as core leave and sabbatical leave. The policy will deliver convenience for employees, thereby potentially increasing productivity and loyalty in a comfortable work environment.

Proper and Safe Working Environment

The Bank constantly strives to create a work environment allowing all employees to develop their potential. Thus, maintaining employee mental health becomes very important through welfare, comfort, and work environment safety. That is, among others, done by providing mental health education, so that it can help employees overcome problems and advocate development in the right direction.

The Bank also establishes a complete open space work environment, which includes collaboration space to accommodate teamwork, employee involvement with technology support creating work effectiveness.

More details about the discussion of human resources presented on page 64-70 contained in this Annual Report.

Employee Turnover Rate

Turnover Rate	2019	2018	2017
Total Turnover	30.0%	25.2%	33.5%
Exclude Direct Contract	20.3%	16.2%	31.0%

Training and Competency Development

The Bank strives to create a work environment that allows everyone to develop and realise their potential. Therefore, competency development activities through various training established on an ongoing basis within the Bank.

Very diverse competency training and development programmes are offered, including technical skills, leadership, to specific skills needed by the Bank. The training programmes are grouped into business competencies, leadership competencies, regulatory certifications and general competencies.

To fulfill this commitment, the Bank has also budgeted annual competency development undertakings, both internally and externally. The undertaking aims to improve employee competency and foster the Bank's strategic achievement.

In 2019, the Bank has organized a total of 98,403 training hours for 4,811 of its employees. This equates that on average, each employee receives 3.53 training days per year.

Training Implementation in 2019

Year	Number of employees	Number of training hours	Training hours per employee	Number of training participants	Number of trained staff
2017	4,928	114,513	23.23	80,803	6,207
2018	4,496	107,199	23.8	64,852	5,470
2019	3,977	98,403	24.74	69,177	4,811



COMMUNITY ASPECTS

The Bank is committed to contributing to the community among others through charities and non-profit organisations that perform community projects throughout the country.

The Bank is committed to providing financial assistance and other forms of assistance in responding to unexpected trials, such as natural disasters and humanitarian crises through corporate social responsibility activities.

Realisation of Community Budget

(Rp Million)

Description	2019	2018	2017
Budget	16,334	23,207	33,737

Complaints Mechanism

The Bank has in place standard operating procedures for managing complaints efficiently to ensure excellent services and to protect reputation of the Bank.

The Bank has provided various channels for receiving complaints, namely through the Contact Centre, Branch Offices, HSBC Internet Banking, Online, and Social Media. Every complaint received will be followed up per regulations.

Detailed information can refer to the website with the following link: <http://www.hsbc.co.id/1/2/en/hubungi-kami>.



<http://www.hsbc.co.id/1/2/en/hubungi-kami>.

Number of Complaints

The entire public complaints are handled by the respective units within the Bank. A full report related to public complaints and their follow-ups is presented in the section “Good Corporate Governance” on page 163.

Community Programme

The Bank is committed to contributing to the community through donations and investment in collaboration with non-profit organizations.

The community programme aims to provide the public with knowledge and education in business and finance following the directions of OJK in the Blueprint of the National Strategy for Finance & Financial Literacy.

The implementation of sustainable finance in the Bank is also in line with the principles set out in the 17 Sustainable Development Goals (SDGs). The following is a breakdown of the programmes accomplished in the fiscal year 2019.

Realisation of Community Programmes

No.	Programme	Activity	Programme Achievement
1	JA More Than Money	The JA More Than Money Programme teaches students how to earn money, spend money, give/save money and what businesses students can do or work so that they can earn money. This programme is intended for Middle School students.	This programme has been conducted in 11 cities throughout Indonesia involving more than 3,000 students, parents, and teachers.
2	Anak Cerdas Online Version	The Online Version of Smart Children Programme is an interactive financial education programme, aimed at elementary school students, so students can learn basic financial values such as distinguishing needs and desires through fun learning.	Since the programme was launched, it has attracted more than 600 new users from all over Indonesia.
3	HSBC Business Case Competition	<p>The HSBC Business Case Competition is a unique educational programme that aims to grow the business talent of the younger generation in Indonesia. This programme provides opportunities for students to apply and develop quantitative, qualitative and communication skills. Students can compete in teams of four in the area of business strategy and presentation. The winning team from Indonesia has the chance to participate in regional competitions in Hong Kong.</p> <p>The purpose of this competition is to explore the innovative ability and analysis of students, get exposure from the real business world, expand professionalism and social networking and build a personal portfolio.</p>	A series of educational activities have been conducted in four cities involving more than 250 students and 15 universities in Indonesia, such as Jakarta, Bandung, Yogyakarta, and Surabaya.
4	HSBC Educenter of Banking and Finance	The HSBC Educenter of Banking and Finance programme aims not only to increase the level of financial literacy among students, lecturers, community groups but also to prepare students in entering the workforce. Activities carried out include workshops and training in the field of personal financial management and small businesses and the community.	This undertaking has been carried out in several major cities in Indonesia, such as in Medan, Batam, Balikpapan, Makassar, Sidoarjo and Denpasar involving more than 1,250 students, lecturers, professionals, and the general public.
5	Work Ready	Programmes intended for vocational students entering the workforce. This programme involves students but also teachers and school principals.	Work Ready Programme was held at 10 vocational schools in Jakarta, involving 2,500 students, 450 teachers, and 120 school principals
6	Rumah Belajar Batik	This programme was designed for cultural preservation and support the creative economy growth by teaching skills to school dropouts and those unemployed.	Rumah Belajar Batik was established in Semarang, targeting 140 youths aged 18-30 years.
7	Centre of Excellence-Ready to Work Youth Employment Programme	this This programme aimed at raising the financial capability and readiness of underprivileged youths entering the workforce through collaboration with Vocational Training Centres in the Central Java region. The activities include workshops, training, and the provision of teaching modules.	This undertaking benefited 3,000 underprivileged youths, school dropouts of and those unemployed.
8	Sustainable Sourcing for Seaweed Industry in Indonesia	This programme provided long-term support in the form of training and environmentally friendly production standards for the sustainability of the seaweed industry and commodities in Indonesia.	This programme was introduced in Surabaya and Makassar involving members of the association, traders, and seaweed farmers in Surabaya and Makassar.
9	Towards Sustainable Coffee Production	This programme is intended for the preservation of nature, industry sustainability, and the coffee commodity in Indonesia.	This activity is in the form of training, workshops and the introduction of the sustainability of the coffee industry standard intended for a group of coffee farmers in Cibulao village, West Java, associate members, coffee traders of and coffee industry players in Indonesia, especially in West Java.

No.	Programme	Activity	Programme Achievement
10	Enhanced Awareness on Sustainable Finance for Financial Institutions	This programme was part of Sustainable Finance intended to support awareness creation and commitment from the financial industry to improve the sustainability performance of the sector being financed.	Activities undertaken include facilitating dialogue among various stakeholders, the private sectors, government, research institutions, academics, non-profit organisations and experts to identify and find solutions to various sustainable financial issues. The activity is expected to reach 250 employees in the banking industry through various workshops/ training.
11	Ramadhan Berdaya	Marking Ramadhan as a month of sharing, the Ramadhan Berdaya programme organizes various activities not only to the fast-breaking but also able to share daily needs in disaster-stricken areas.	This activity was held in Jakarta, Banten, Lampung, Lombok and Palu for more than 1,000 orphans and underprivileged families.
12	Perpustakaan Sekolah Hijau	As part of the effort for the formation of local trait and culture, the programme was intended to raise the literacy level of students and teachers at SDN 27 Sekumbak, Sambas, West Kalimantan.	Activities undertaken include, the establishment of libraries, book donation assistance; training for teachers, students and school administrators.
13	Developing Future Talent	The programme implemented at SOS Children Village Bali intended to help the youths in confronting challenges by building up their skills before entering the workforce with numerous needed skills.	The training intended for 63 youths aged between 15-23 years on the subject of English language, financial skills, entrepreneurship, marketing and others.

Social and Environmental Responsibility

In 2019, the Bank carried out social and environmental responsibility activities. These programmes were in line with the objectives of sustainable development (SDGs), the details of which are presented in the table below.

Community Empowerment Social Responsibility Activities

No	Type of activity	Sustainable Development Goals	Budget
1	JA More Than Money Tutoring Middle School students how to earn, spend, and save money and what industry students can enter or work to earn money.	OBJECTIVE 1: End all forms of poverty everywhere	810,000,000
2	HSBC Business Case Competition A unique educational programme that aims to nurture the youth's business talent in Indonesia	OBJECTIVE 1: End all forms of poverty everywhere OBJECTIVE 8: Support inclusive and sustainable economic growth, full and productive workforce and decent work for all	770,715,000
3	HSBC Educenter of Banking and Finance Aiming not only to increase the level of financial literacy among students, lecturers, community groups but also prepare students to enter the workforce	OBJECTIVE 8: Support inclusive and sustainable economic growth, full and productive workforce and decent work for all	2,372,000,000
4	Centre of Excellence-Ready to Work Youth Employment Programme Programmes aimed at increasing financial capacity and readiness to enter the workforce to catered to underprivileged youths through collaboration with Vocational Training Centres in the Central Java region.	OBJECTIVE 1: End all forms of poverty everywhere OBJECTIVE 3: Ensuring a healthy life and supporting the welfare of all ages	4,724,649,000
5	Rumah Belajar Batik Programmes designed for cultural preservation and fostering creative economic growth by teaching skills to school dropouts and those who are unemployed.	OBJECTIVE 8: Support inclusive and sustainable economic growth, full and productive workforce and decent work for all	1,692,832,000



ENVIRONMENTAL ASPECTS

The Bank is committed to supporting the global transition into a low carbon society. This is done by applying sustainable principles in our operations, support customers and supply chains to jointly work to reduce adverse impacts on the environment.

The Bank also adheres to the principle of sustainability in products and services. Moreover, the Bank implements strict risk management related to climate change. Industrial areas that are part of the application of these principles include the energy, palm oil, and forestry sector.

Sustainable Financing and Investment

The HSBC Group's global commitment to sustainable finance, which includes environmental issues, has been demonstrated through business groups at the global level, through sustainable budget allocations. The HSBC Group has globally targeted to facilitate USD100 billion by 2025 for these activities.

From this budget, from 2017 to 2019, USD 52.4 billion has been spent. While specifically PT Bank HSBC Indonesia ("Bank"), for the past 2 (two) years in 2018-2019, invested USD 1 billion. The funds were allocated for projects related to the environment, care, education and capacity building.

Environmentally Friendly Materials

The use of environmentally friendly materials is an important part of the Bank's operations. The commitment has been realised for a long time and continued until 2019.

The Bank uses paper with the Forest Stewardship Council (FSC) certification, which is paper made from wood from forests that are managed according to local or international standards or from recycled materials. The Bank also provides a special trash bin so that employees can sort out cans, paper, or plastic waste.

Efficient Energy Use

The Bank in 2019 has reduced 26% carbon footprint from Data Centre operations by (i) using more energy efficient technology, (ii) utilising more energy-efficient lamps such as LEDs and light sensors capable of reducing electricity consumption by 12%, and (iii) less paper usage due to paperless initiative campaign, internal process automation and the use of digital technology to collaborate among staff, reflected in the number of paper purchases that dropped by 10%. The realisation in 2019 compared to 2018 for a number of activities is as follows:

Efficiency in the Energy and Paper Consumption Sector

Achievements in 2019	Change	2018	2019	Units
Data Centre Carbon Footprint	↓ 26%	6,791	4,999	Kg
Electricity Usage	↓ 12%	1,887,727	1,663,225	KwH
Use of energy-efficient lamps (LEDs)	↑ 841%	120	1,129	LED installed
The amount of printer paper consumed	↓ 24%	16,298,565	12,339,849	Sheet of paper
The amount of paper purchased	↓ 10%	27,258	12,618	Rim of Paper
Amount of paper eliminated under paperless initiative	↓ 100%	138,000	0	Sheet of paper



PRODUCT DEVELOPMENT ASPECTS

Customers are very strategic stakeholders in realizing sustainable financial principles. Hence, the Bank continuously offer world-class products to customers so we have mutually benefiting relationship to support sustainable economic development.

The Bank has been heavily involved in financial services activities related to sustainable development support. The Bank has issued several product innovations related to this matter.

Government Green Sukuk

In 2019, the Bank assisted the government in issuing the Indonesian Government's Global Green Sukuk worth USD 2 billion. In collaboration with the Bank, HSBC Group was mandated as Joint Lead Manager and sole Green Structuring advisor. The mandates were acknowledgement of the Bank's capabilities and expertise in sustainable finance.

Government Retail Bonds

In 2019, the Bank became one of the electronic selling agents of State Securities Paper (e-SBN) to market various series of Retail Bonds issued by the Ministry of Finance to fund Government's sustainable programs or projects. This poses positive outcomes on sustainability including helping to finance the Government's State Budget and Expenditure, providing access to bonds to the public and increasing the number of Domestic Investors.

Positive Impact of Products

The bank introduced a service called HSBC Premier Next Gen. This service is available for HSBC Premier customers' dependants ranging between 18 to 28 years old. Under this scheme, the dependants of HSBC Premier customers are entitled special services enjoyed by their parents, both in Indonesia and abroad. The benefit of this product is that it provides easy access to banking services for Indonesian citizens who are studying abroad, bearing in mind the large number. The United States Commercial Service (US) estimates that more than 69,000 Indonesian students are studying abroad in 2018-2019 of which 9,130 of them are in the United States.

International capabilities, which are one of the pillars of excellence in HSBC Premier, enable HSBC Premier Next Gen customers to obtain banking services at Bank branches around the world. They also have the convenience of making transactions at more than 1 million VISA/Plus ATMs worldwide, as well as access to up to 7 Bank savings accounts on one card.

They can also enjoy the cost-free services for withdrawing in foreign currencies at 6,500 ATMs worldwide without first converting currencies to Rupiah. Other privileges that can be appreciated by HSBC Premier Next Gen customers are free real-time transfer fees of up to USD 100,000 per day in more than 30 countries in the world. The Bank also provides Emergency Cash facilities of up to USD 10,000 every 48 hours for customers who experience loss or theft abroad.

This new product is one of the Bank's commitments in offering convenience for Indonesian students abroad. They will one day become an important part of sustainable development for Indonesia.

Withdrawn Products

In the fiscal year 2019, no Bank's financial products were withdrawn. Nevertheless, the Bank always evaluates its product and services by considering risk management and compliance with all existing regulations.

Customer Satisfaction Survey

To bolster customer satisfaction, the Bank conducted a customer survey to learn whether the services provided to customers have been as expected, and to evaluate the quality of customer service so that it can be carried out for improvement by the Bank.

The survey was conducted by contacting respondents by telephone. Respondents were chosen randomly from Bank's customer database who had recently visited a branch office, contacted the Call Centre service, or had a Personal RM. Respondents were asked to give a score on a scale of 0-10 on their level of satisfaction with branch office services, Call Centres or Personal RM.

The following are the results of customer satisfaction surveys in the past 3 years:

Channel	Average level of customer satisfaction (on a scale from 0-10)		
	2019	2018	2017
Branch Office	9.0	8.8	8.6
Call Centre	8.7	8.7	8.5
Personal RM	8.2	8.1	8.0



FINANCIAL STATEMENTS

**SURAT PERNYATAAN DIREKSI
TENTANG
TANGGUNG JAWAB ATAS LAPORAN KEUANGAN 31 DESEMBER 2019
DAN TAHUN YANG BERAKHIR 31 DESEMBER 2019
PT BANK HSBC INDONESIA**

**DIRECTORS' STATEMENT LETTER
REGARDING
THE RESPONSIBILITY ON THE FINANCIAL STATEMENTS 31 DECEMBER 2019
AND FOR THE YEAR ENDED 31 DECEMBER 2019
PT BANK HSBC INDONESIA**

Kami yang bertandatangan di bawah ini/ *We, the undersigned:*

- | | |
|------------------------------|--|
| 1. Nama/Name | : Sumit Dutta |
| Alamat kantor/Office address | : Gedung World Trade Center Lt. 8-9 Jl. Jend. Sudirman Kav. 29-31, Jakarta 12920 |
| Nomor Telepon/Phone Number | : (021) 25545800 |
| Jabatan/Position | : Direktur/Director |
| 2. Nama/Name | : Dio Alexander Samsoeri |
| Alamat kantor/Office address | : Gedung World Trade Center Lt. 8-9 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, 6 Maret/March 2020

Atas nama dan mewakili Direksi/ *For and on behalf of Board of Directors*



Sumit Dutta
President Direktur/
President Director



Dio Alexander Samsoeri
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 2019, 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.

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.

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.

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 2019, 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.

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.

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 50992901 / 31192901, F: +62 21 52905555 / 52905050, www.pwc.com/id

Nomor Inis Usaha: KEP-241/KM.1/2015.

00263/2.1025/AU.1/07/0734-1/1/III/2020



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 2019, serta kinerja keuangan dan arus kasnya 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 2019, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

JAKARTA,
6 Maret/March 2020

Angelique Dewi Daryanto, S.E., CPA

Surat Ijin Praktek Akuntan Publik/License of Public Accountant No. AP. 0734

PT BANK HSBC INDONESIA

LAPORAN POSISI KEUANGAN
31 DESEMBER 2019

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	31 Desember/ December 2019	31 Desember/ December 2018	
ASET				ASSETS
Kas	6,25	696.281	654.061	Cash
Giro pada Bank Indonesia	7,25	7.343.788	7.777.923	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	8,25,34	2.261.135	1.996.602	Demand deposits with other banks
Penempatan pada Bank Indonesia	25	1.488.506	349.898	Placements with Bank Indonesia
Penempatan pada bank-bank lain	9,25,34	7.696.511	7.507.532	Placements with other banks
Efek-efek untuk tujuan investasi	10,25	14.418.802	12.599.817	Investment securities
Aset keuangan dalam kelompok diperdagangkan	11,25	2.863.738	2.903.759	Financial assets held for trading
Tagihan derivatif	12,25,34	476.731	541.882	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	25	464.945	1.093.927	Securities purchased with agreement to resell
Wesel ekspor	25	1.434.664	1.081.959	Export bills
Tagihan akseptasi	13,25	2.601.928	2.405.640	Acceptance receivables
Kredit yang diberikan kepada nasabah - setelah dikurangi penyisihan kerugian penurunan nilai sebesar Rp 2.123.183 pada 31 Desember 2019 dan Rp 2.131.328 pada 31 Desember 2018	14,25,34	65.533.877	66.343.972	Loans to customers - net of allowance for impairment losses of Rp 2,123,183 on 31 December 2019 and Rp 2,131,328 on 31 December 2018
Aset lain-lain	15,25,34	3.451.068	2.577.430	Other assets
Aset tetap - setelah dikurangi akumulasi penyusutan sebesar Rp 866.630 pada 31 Desember 2019 dan Rp 904.461 pada 31 Desember 2018		716.157	669.201	Properties and equipments - net of accumulated depreciation of Rp 866,630 on 31 December 2019 and Rp 904,461 on 31 December 2018
Aset takberwujud - setelah dikurangi akumulasi amortisasi sebesar Rp 184.254 pada 31 Desember 2019 dan Rp 141.414 pada 31 Desember 2018		137.065	178.041	Intangible assets - net of accumulated amortisation of Rp 184,254 on 31 December 2019 and Rp 141,414 on 31 December 2018
Aset pajak tangguhan	32g	275.182	279.305	Deferred tax assets
JUMLAH ASET		111.860.378	108.960.949	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 2019

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	31 Desember/ December 2019	31 Desember/ December 2018	
LIABILITAS DAN EKUITAS				LIABILITIES AND EQUITY
LIABILITAS				LIABILITIES
Simpanan dari nasabah	16,25,34	65.469.257	54.906.968	Deposits from customers
Simpanan dari bank-bank lain	17,25,34	5.058.515	8.776.773	Deposits from other banks
Liabilitas derivatif	12,25,34	473.541	824.198	Derivative payables
Utang akseptasi	13,25,34	2.601.928	2.405.640	Acceptance payables
Efek-efek yang dijual dengan janji dibeli kembali	25	-	1.454.081	Securities sold with agreement to repurchase
Utang pajak penghasilan	32b	-	1.220	Income tax payable
Beban akrual dan provisi	18,25,34	502.670	744.828	Accruals and provisions
Liabilitas lain-lain	19,25,34	2.984.880	2.601.098	Other liabilities
Pinjaman yang diterima	25,34	15.062.513	19.973.820	Borrowings
Pinjaman subordinasi	25,34	1.041.188	1.078.500	Subordinated debt
Liabilitas imbalan kerja	21	529.546	538.104	Employee benefits obligations
JUMLAH LIABILITAS		93.724.038	93.305.230	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	Share capital – nominal value of Rp 1,000 (in Rupiah full amount) per share; Authorized capital – 20,000,000,000 shares; Issued and fully paid-up capital – 10,586,394,997 shares
Tambahan modal disetor - bersih	23	257.610	257.610	Additional paid-in capital - net
Cadangan program kompensasi berbasis saham	20	14.894	13.828	Share-based payments program reserves
Pengukuran kembali atas liabilitas imbalan pasca kerja		(67.363)	(39.303)	Remeasurements from post employment benefits obligation
Perubahan nilai wajar bersih aset keuangan tersedia untuk dijual	10	133.381	(62.943)	Net changes in fair value available for sale financial assets
Saldo laba: - Telah ditentukan penggunaannya - Belum ditentukan penggunaannya	24	26.306 7.185.117	17.361 4.882.771	Retained earnings: Appropriated - Unappropriated -
JUMLAH EKUITAS		18.136.340	15.655.719	TOTAL EQUITY
JUMLAH LIABILITAS DAN EKUITAS		111.860.378	108.960.949	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 2019**
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Catatan/ Notes</u>	<u>2019</u>	<u>2018</u>	
PENDAPATAN OPERASIONAL				OPERATING INCOME
Pendapatan bunga	26,34	6.197.205	5.976.280	<i>Interest income</i>
Beban bunga	26,34	<u>(2.216.617)</u>	<u>(1.796.617)</u>	<i>Interest expenses</i>
Pendapatan bunga bersih		<u>3.980.588</u>	<u>4.179.663</u>	Net interest income
Pendapatan provisi dan komisi	27,34	1.952.008	1.921.927	<i>Fees and commissions income</i>
Beban provisi dan komisi	27,34	<u>(639.719)</u>	<u>(520.642)</u>	<i>Fees and commissions expenses</i>
Pendapatan provisi dan komisi bersih		<u>1.312.289</u>	<u>1.401.285</u>	Net fees and commissions
Pendapatan instrumen yang diperdagangkan - bersih	28	1.339.518	938.715	<i>Trading income - net</i>
Laba atas selisih kurs - bersih		75.304	20.213	<i>Foreign exchange gain - net</i>
Rugi dari aset yang dimiliki untuk dijual - bersih		<u>(7.138)</u>	<u>(63.855)</u>	<i>Loss from assets held for sale - net</i>
Pendapatan lainnya - bersih	32n,34	<u>429.163</u>	<u>8.223</u>	<i>Other income - net</i>
		<u>1.836.847</u>	<u>903.296</u>	
Kerugian penurunan nilai aset keuangan - bersih	29	<u>(671.160)</u>	<u>(1.315.957)</u>	<i>Impairment losses on financial assets - net</i>
Jumlah pendapatan operasional		<u>6.458.564</u>	<u>5.168.287</u>	Total operating income
BEBAN OPERASIONAL				OPERATING EXPENSES
Beban karyawan	30,34	(1.949.191)	(1.876.743)	<i>Employees expenses</i>
Beban umum dan administrasi	31,34	(1.112.188)	(1.804.919)	<i>General and administrative expenses</i>
Beban depresiasi aset tetap dan aset hak-guna		<u>(299.620)</u>	<u>(165.134)</u>	<i>Depreciation expenses of properties and equipments and right-of-use assets</i>
Beban amortisasi aset takberwujud		<u>(57.570)</u>	<u>(55.787)</u>	<i>Amortization expenses of intangible assets</i>
Jumlah beban operasional		<u>(3.418.569)</u>	<u>(3.902.583)</u>	Total operating expenses
LABA SEBELUM PAJAK		<u>3.039.995</u>	<u>1.265.704</u>	PROFIT BEFORE TAX
Beban pajak penghasilan	32c	<u>(728.704)</u>	<u>(371.164)</u>	<i>Income tax expense</i>
LABA BERSIH TAHUN BERJALAN		<u>2.311.291</u>	<u>894.540</u>	NET PROFIT FOR THE YEAR
LABA/(RUGI) KOMPREHENSIF LAIN				OTHER COMPREHENSIVE INCOME/(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>
- Laba/(rugi) tahun berjalan	10	261.765	(155.588)	<i>Gain/(loss) during the year -</i>
- Pajak penghasilan terkait	32g	<u>(65.441)</u>	<u>38.897</u>	<i>Related income tax -</i>
		<u>196.324</u>	<u>(116.691)</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>
- (Rugi)/laba aktuarial tahun berjalan	21	(37.414)	17.696	<i>Actuarial (loss)/gain - during the year</i>
- Pajak penghasilan terkait	32g	<u>9.354</u>	<u>(4.424)</u>	<i>Related income tax -</i>
		<u>(28.060)</u>	<u>13.272</u>	
LABA/(RUGI) KOMPREHENSIF LAIN, BERSIH SETELAH PAJAK		<u>168.264</u>	<u>(103.419)</u>	OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX
JUMLAH PENGHASILAN KOMPREHENSIF UNTUK TAHUN BERJALAN		<u>2.479.555</u>	<u>791.121</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.

**LAPORAN PERUBAHAN EKUITAS
UNTUK TAHUN BERAKHIR 31 DESEMBER 2019**
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**
(Expressed in millions of Rupiah, unless otherwise stated)

Catatan/ Notes	Modal ditempatkan dan disetor penuh/ Issued and fully paid-up capital	Tambahkan modal disetor - bersih/ Additional paid-in capital - net	Cadangan program berbasis Saham/ Share-based payment program reserves	(Rugi)/laba komprehensif lain - bersih setelah pajak/ Other comprehensive (loss)/income - net of tax	Saldo laba/ Retained earnings	
					Telah ditemukan penggunaannya/ Appropriated	Belum ditemukan penggunaannya/ Unappropriated
						Jumlah ekuitas/ Total equity
Saldo, 1 Januari 2018	10.586.395	257.610	17.512	1.173	3.648	4.001.944
						Balance, 1 January 2018
Cadangan umum dan wajib yang telah ditemukan penggunaannya	-	-	-	-	13.713	(13.713)
						Appropriation for general and legal reserves
Perubahan cadangan program berbasis saham	-	-	(3.684)	-	-	(3.684)
						Movement of share-based payment program reserves
Jumlah penghasilan komprehensif tahun berjalan:	-	-	-	-	-	-
Laba bersih tahun berjalan	-	-	-	-	-	894.540
Penghasilan komprehensif lain, bersih setelah pajak:	-	-	-	-	-	-
- Pengukuran kembali atas liabilitas imbalan pasca kerja	-	-	-	13.272	-	-
- Perubahan nilai wajar (aset keuangan tersedia untuk dijual)	-	-	-	(116.691)	-	-
Jumlah penghasilan komprehensif tahun berjalan	-	-	-	(103.419)	-	894.540
						894.540
Saldo, 31 Desember 2018	10.586.395	257.610	13.828	(102.246)	17.361	15.655.719
						Balance, 31 December 2018
Cadangan umum dan wajib yang telah ditemukan penggunaannya	-	-	-	-	8.945	(8.945)
						Appropriation for general and legal reserves
Perubahan cadangan program berbasis saham	-	-	1.066	-	-	1.066
						Movement of share-based payment program reserves
Jumlah penghasilan komprehensif tahun berjalan:	-	-	-	-	-	-
Laba bersih tahun berjalan	-	-	-	-	-	2.311.291
Penghasilan komprehensif lain, bersih setelah pajak:	-	-	-	-	-	-
- Pengukuran kembali atas liabilitas imbalan pasca kerja	-	-	-	(28.060)	-	-
- Perubahan nilai wajar (aset keuangan tersedia untuk dijual)	-	-	-	196.324	-	-
Jumlah penghasilan komprehensif tahun berjalan	-	-	-	168.264	-	2.311.291
						2.311.291
Saldo, 31 Desember 2019	10.586.395	257.610	14.894	66.018	26.306	18.136.340
						Balance, 31 December 2019
						Total comprehensive income for the year: Net profit for the year
						2.311.291
						Other comprehensive income, net of tax: Remeasurements from post- employment benefits obligation Changes in fair value (available-for- sale financial assets)
						(28.060)
						196.324
						2.479.555
						Total comprehensive income for the year
						2.479.555
						Balance, 31 December 2019
						18.136.340

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 2019
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan khusus)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	2019	2018	
ARUS KAS DARI AKTIVITAS OPERASI				CASH FLOWS FROM OPERATING ACTIVITIES
Penerimaan pendapatan bunga		6.148.655	5.975.979	Receipts from interest income
Pembayaran beban bunga		(2.224.151)	(1.787.098)	Payments for interest expenses
Penerimaan provisi dan komisi		1.936.348	1.829.410	Receipts from fees and commissions
Pembayaran provisi dan komisi		(639.719)	(520.642)	Payments for fees and commissions
Laba atas selisih kurs - bersih		30.498	39.740	Realised foreign exchange gain - net
Hasil penjualan aset yang dimiliki untuk dijual		5.188	5.775	Proceeds from sale of assets held for sale
Penerimaan pendapatan operasional		1.342.540	1.098.303	Receipts from operating income
Pembayaran beban operasional		(3.353.145)	(3.946.222)	Payments for operating expenses
Pembayaran pajak penghasilan badan		(832.553)	(606.084)	Corporate income tax paid
Perubahan aset operasi:				Changes in operating assets:
Aset keuangan dalam kelompok diperdagangkan		40.021	2.249.873	Financial assets held for trading
Tagihan derivatif		65.151	(352.629)	Derivative receivables
Kredit yang diberikan kepada nasabah		(1.046.070)	(8.083.622)	Loans to customers
Aset lain-lain		76.449	(908.462)	Other assets
Perubahan liabilitas operasi:				Changes in operating liabilities:
Simpanan dari nasabah		11.320.737	(3.268.000)	Deposits from customers
Simpanan dari bank-bank lain		(3.718.258)	199.454	Deposits from other banks
Liabilitas derivatif		(350.657)	297.163	Derivative payables
Beban akrual dan provisi		(272.256)	206.245	Accruals and provisions
Liabilitas lain-lain		(585.164)	2.042.270	Other liabilities
Kas bersih yang diperoleh dari/(digunakan) untuk aktivitas operasi		7.943.614	(5.528.547)	Net cash provided from/ (used) in operating activities
ARUS KAS DARI AKTIVITAS INVESTASI				CASH FLOWS FROM INVESTING ACTIVITIES
Pengalihan aset dan liabilitas pajak dari the Hongkong and Shanghai Banking Corporation Limited, Cabang Jakarta	32r	(679.915)	-	Transfer of tax assets and liabilities from the Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch
Pengembalian (termasuk pembayaran) atas aset dan liabilitas pajak yang dialihkan dari the Hongkong and Shanghai Banking Corporation Limited, Cabang Jakarta		285.612	-	Refund (including payment) of tax assets and liabilities transferred from the Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch
Pembelian efek-efek untuk tujuan investasi		(11.011.589)	(14.276.483)	Purchase of investment securities
Hasil penjualan/maturitas efek-efek untuk tujuan investasi		9.454.370	15.224.938	Proceed from sale/maturity of investment securities
Hasil penjualan aset tetap		6.972	12.997	Proceed from sale of properties and equipments
Perolehan aset tetap		(247.277)	(170.245)	Acquisition of properties and equipments
Perolehan aset takberwujud		(16.949)	(2.967)	Acquisition of intangible assets
Kas bersih yang (digunakan) untuk/diperoleh dari aktivitas investasi		(2.208.776)	788.240	Net cash (used) in/provided from investing activities
ARUS KAS DARI AKTIVITAS PENDANAAN				CASH FLOWS FROM FINANCING ACTIVITIES
(Pembayaran)/penerimaan pinjaman dan pinjaman subordinasi		(4.294.760)	5.921.050	(Payment)/proceed from borrowings and subordinated debts
Pembayaran kewajiban sewa		(93.169)	-	Payments for lease liabilities
Kas bersih yang (digunakan) untuk/diperoleh dari aktivitas pendanaan		(4.387.929)	5.921.050	Net cash (used) in/provided from financing activities
KENAikan BERSIH KAS DAN SETARA KAS		1.346.909	1.180.743	NET INCREASE IN CASH AND CASH EQUIVALENTS
PENGARUH SELISIH KURS MATA UANG ASING PADA KAS DAN SETARA KAS		(146.704)	299.802	EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATION ON CASH AND CASH EQUIVALENTS
KAS DAN SETARA KAS, 1 JANUARI		18.286.016	16.805.471	CASH AND CASH EQUIVALENTS, 1 JANUARY
KAS DAN SETARA KAS, 31 DESEMBER		19.486.221	18.286.016	CASH AND CASH EQUIVALENTS, 31 DECEMBER
Kas dan setara kas terdiri dari:				Cash and cash equivalents consist of:
Kas	6	696.281	654.061	Cash
Giro pada Bank Indonesia	7	7.343.788	7.777.923	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	8	2.261.135	1.996.602	Demand deposits with other banks
Penempatan pada Bank Indonesia - jatuh tempo dalam 3 bulan sejak tanggal perolehan	25	1.488.506	349.898	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	7.696.511	7.507.532	Placements with other banks - mature within 3 months from the date of acquisition
		19.486.221	18.286.016	

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 2019
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan khusus)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in millions of Rupiah, unless otherwise stated)

Informasi tambahan arus kas:
Rekonsiliasi utang bersih

Supplemental cash flows information:
Net debt reconciliation

			Perubahan non-kas/ Non-cash changes			
	31 Desember/ December 2018	Dampak implementasi PSAK 73/ Impact of SFAS 73 implementation	Arus kas/ Cash flows	Penambahan liabilitas sewa/ Addition of lease liability	Pergerakan valuta asing/ Foreign currency movement	31 Desember/ December 2019
Kas dan setara kas	18.286.016	-	1.346.909	-	(146.704)	19.486.221
Rekonsiliasi liabilitas yang timbul dari aktivitas pendanaan:						
- Pinjaman yang diterima	(19.973.820)	-	4.294.760	-	616.547	(15.062.513)
- Pinjaman subordinasi	(1.078.500)	-	-	-	37.312	(1.041.188)
- Liabilitas sewa	-	(363.597)	93.169	(101.946)	-	(372.374)
Hutang bersih	(2.766.304)	(363.597)	5.734.838	(101.946)	507.155	3.010.146

			Perubahan non-kas/ Non-cash changes			
	31 Desember/ December 2017	Arus kas/ Cash flows	Pergerakan valuta asing/ Foreign currency movement	31 Desember/ December 2018		
Kas dan setara kas	16.805.471	1.180.743	299.802	18.286.016		
Rekonsiliasi liabilitas yang timbul dari aktivitas pendanaan:						
- Pinjaman yang diterima	(13.363.988)	(5.921.050)	(688.782)	(19.973.820)		
- Pinjaman subordinasi	(1.017.563)	-	(60.937)	(1.078.500)		
Hutang bersih	2.423.920	(4.740.307)	(449.917)	(2.766.304)		

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

**CATATAN ATAS LAPORAN KEUANGAN
TAHUN BERAKHIR 31 DESEMBER 2019**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019**

(Expressed in millions of Rupiah, unless otherwise stated)

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., M.Si., 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.

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., M.Si., 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
TAHUN BERAKHIR 31 DESEMBER 2019**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019**

(Expressed in millions of Rupiah, unless otherwise stated)

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 2019, Bank memiliki 38 cabang utama (termasuk kantor pusat) dan 41 cabang pembantu di Indonesia.

Pada tanggal 31 Desember 2019 dan 2018 jumlah karyawan tetap Bank masing-masing sebanyak 3.797 dan 4.300 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 2019 dan 2018 adalah sebagai berikut:

	2019	
Komisaris Utama	Matthew Kneeland Lobner	<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	<i>Independent Commissioner</i>
Komisaris	Mark Thomas McKeown	<i>Commissioner</i>
Komisaris	Lucia Ka Yee Ku ¹⁾	<i>Commissioner</i>
Direktur Utama	Sumit Dutta	<i>President Director</i>
Direktur	John Peter Watt Rosie	<i>Director</i>
Direktur	Blake Digney Philip Hellam	<i>Director</i>
Direktur	Dio Alexander Samsoeri ²⁾	<i>Director</i>
Direktur	Caecilia Pudji Widyarti	<i>Director</i>
Direktur	Tripudjo Putranto	<i>Director</i>
Direktur	Stephen Whilton Angell	<i>Director</i>
Direktur Kepatuhan	Yessika Effendi	<i>Compliance Director</i>

¹⁾ Efektif mengundurkan diri sebagai kandidat Komisaris dalam uji kemampuan dan kepatuhan dari OJK sejak tanggal 29 Oktober 2019

²⁾ Efektif sejak tanggal 9 September 2019

1. GENERAL (continued)

**a. Establishment and general information
(continued)**

The Bank's operating license was granted by the Minister of Finance of the Republic of Indonesia in the Decision Letter No. 104/KMK.013/1990 dated 12 February 1990. The Bank also obtained a license to engage in foreign exchange activities based on the Directors of Bank Indonesia's Decision Letter No. 25/64/KEP/DIR dated 16 September 1992.

The Bank's head office is located at World Trade Center I, Jl. Jenderal Sudirman Kav. 29-31, Jakarta 12920. As of 31 December 2019, the Bank has 38 main branches (including the head office) and 41 sub-branches in Indonesia.

As of 31 December 2019 and 2018, the Bank has 3,797 and 4,300 permanent employees, respectively (unaudited).

The Bank's direct holding company is HSBC Asia Pacific Holdings (UK) Limited while the ultimate holding company of the Bank is HSBC Holdings plc, which is incorporated in England. HSBC Holdings plc has subsidiaries and affiliates throughout the world.

The composition of the Bank's Board of Commissioners and Board of Directors as of 31 December 2019 and 2018 are as follows:

Effective resigned as Commissioner candidate in fit and proper test from FSA since 29 October 2019 ¹⁾

Effective since 9 September 2019 ²⁾

**CATATAN ATAS LAPORAN KEUANGAN
TAHUN BERAKHIR 31 DESEMBER 2019**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019**

(Expressed in millions of Rupiah, unless otherwise stated)

1. UMUM (lanjutan)**a. Pendirian dan informasi umum (lanjutan)**

Susunan Dewan Komisaris dan Direksi Bank pada tanggal 31 Desember 2019 dan 2018 adalah sebagai berikut: (lanjutan)

	2018
Komisaris Utama	Matthew Kneeland Lobner ¹⁾
Wakil Komisaris Utama merangkap Komisaris Independen	Hanny Wurangian
Komisaris Independen	Hariawan Pribadi
Komisaris Independen	Umar Juoro ²⁾
Komisaris	Mark Thomas McKeown
Komisaris	Lucia Ka Yee Ku ³⁾
Direktur Utama	Sumit Dutta
Direktur	John Peter Watt Rosie
Direktur	Blake Digney Philip Hellam
Direktur	Catherinawati Hadiman Sugianto
Direktur	Caecilia Pudji Widyarti
Direktur	Tripudjo Putranto
Direktur	Stephen Whilton Angell ⁴⁾
Direktur Kepatuhan	Yessika Effendi

¹⁾ Efektif sejak tanggal 25 Juni 2018²⁾ Efektif sejak tanggal 18 Mei 2018³⁾ Efektif setelah memperoleh persetujuan atas uji kemampuan dan kepatuhan dari OJK⁴⁾ Efektif sejak tanggal 20 April 2018

Susunan Komite Audit Bank pada tanggal 31 Desember 2019 dan 2018 adalah sebagai berikut:

Ketua	Hanny Wurangian ¹⁾
Anggota independen	Yustrida B. Remiasa
Anggota independen	Ubaidillah Nugraha

¹⁾ Wakil Komisaris Utama merangkap Komisaris Independen**b. Penawaran umum saham dan privatisasi**

Sesuai dengan akta No. 140 tanggal 25 Oktober 2007 yang dibuat di hadapan Dr. Irawan Soerodjo, S.H., M.Si., notaris di Jakarta, para pemegang saham mengambil dan menyetujui keputusan-keputusan, antara lain, sebagai berikut:

- Mengubah status Bank dari perseroan tertutup menjadi perseroan terbuka.
- 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.

1. GENERAL (continued)**a. Establishment and general information (continued)**

The composition of the Bank's Board of Commissioners and Board of Directors as of 31 December 2019 and 2018 are as follows: (continued)

President Commissioner
Vice-President Commissioner and Independent Commissioner
Independent Commissioner
Independent Commissioner
Commissioner
Commissioner
President Director
Director
Director
Director
Director
Director
Director
Director
Compliance Director

Effective since 25 June 2018¹⁾Effective since 18 May 2018²⁾Effective after obtaining approval of fit and proper test³⁾ result from FSAEffective since 20 April 2018⁴⁾

The composition of the Bank's Audit Committee as of 31 December 2019 and 2018 are as follows:

Chairperson
Independent member
Independent member

Vice-President Commissioner and¹⁾ Independent Commissioner**b. Public offering of shares and privatisation**

Based on notarial deed No. 140 dated 25 October 2007 of Dr. Irawan Soerodjo, S.H., M.Si., notary public in Jakarta, the shareholders resolved and approved, among others, the following:

- Change the Bank's status from a private to a public company.
- 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.

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1. UMUM (lanjutan)**b. Penawaran umum saham dan privatisasi (lanjutan)**

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*.

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.

1. GENERAL (continued)**b. Public offering of shares and privatisation (continued)**

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.

In relation with the *go private* plan above, 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. year 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.

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1. UMUM (lanjutan)
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 Indonesia 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.

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.

2. DASAR PENYUSUNAN

Laporan keuangan Bank telah disetujui untuk diterbitkan oleh manajemen pada tanggal 6 Maret 2020.

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.

1. GENERAL (continued)
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 Indonesia 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.

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.

2. BASIS OF PREPARATION

The Bank's financial statements were authorised for issue by the management on 6 March 2020.

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.

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2. DASAR PENYUSUNAN (lanjutan)**a. Pernyataan kepatuhan dan dasar penyusunan laporan keuangan (lanjutan)**

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.

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 2019 telah diterapkan secara konsisten dengan laporan keuangan tahunan untuk tahun yang berakhir 31 Desember 2018 yang telah sesuai dengan Standar Akuntansi Keuangan di Indonesia.

Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia (DSAK-IAI) telah melakukan revisi atas beberapa standar akuntansi yang berlaku efektif pada tanggal 1 Januari 2019, sebagai berikut:

- ISAK 33: "Transaksi Valuta Asing dan Imbalan Dimuka"

Standar ini mengklarifikasi penggunaan tanggal transaksi dalam menentukan nilai tukar yang akan digunakan untuk pengakuan awal aset, biaya atau pendapatan ketika entitas menerima atau membayar uang muka dalam mata uang asing.

2. BASIS OF PREPARATION (continued)**a. Statement of compliance and basis for preparation of financial statements (continued)**

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.

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 2019 are consistent with those of the annual financial statements for the year ended 31 December 2018 financial which conform to the Indonesian Financial Accounting Standards.

Financial Accounting Standard Board of Indonesia Institute of Accounting (DSAK-IAI) has issued revision of the following accounting standards which are effective as at 1 January 2019, as follows:

- ISFAS 33: "Foreign Currency Transactions and Advance Consideration"

The standard clarifies the use of the date of the transaction in determining the exchange rate to be used for initial recognition of asset, expense or income when the entity receives or pays advance consideration in foreign currency.

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2. DASAR PENYUSUNAN (lanjutan)**c. Perubahan kebijakan akuntansi (lanjutan)**

- ISAK 34: "Ketidakpastian dalam Perlakuan Pajak Penghasilan"

Standar ini adalah interpretasi PSAK 46 "Pajak Penghasilan" yang menjelaskan penerapan PSAK 46 di mana terdapat ketidakpastian atas pajak penghasilan.

- Amandemen PSAK 24 "Imbalan kerja"

Amandemen ini mensyaratkan entitas untuk menggunakan asumsi yang diperbarui untuk menentukan biaya jasa kini dan bunga bersih untuk sisa periode setelah amandemen rencana, pembatasan, atau penyelesaian. Ini juga mensyaratkan entitas untuk mengakui laba atau rugi sebagai bagian dari biaya jasa lalu, atau keuntungan atau kerugian penyelesaian, setiap pengurangan surplus, bahkan jika surplus itu sebelumnya tidak diakui karena dampak dari batas atas aset.

- Amandemen PSAK 46 "Pajak Penghasilan"

Amandemen tersebut mengklarifikasi bahwa konsekuensi pajak penghasilan dari dividen pada instrumen keuangan yang diklasifikasikan sebagai ekuitas harus diakui sesuai dengan transaksi atau peristiwa masa lalu yang menghasilkan laba yang dapat dibagikan diakui. Persyaratan ini berlaku untuk semua konsekuensi pajak penghasilan dari dividen.

PSAK tersebut di atas tidak memiliki dampak yang signifikan terhadap jumlah yang dilaporkan pada periode berjalan atau tahun-tahun sebelumnya.

Standar baru, amandemen dan interpretasi yang telah diterbitkan, namun belum berlaku efektif untuk tahun buku yang dimulai pada 1 Januari 2020 adalah sebagai berikut:

- PSAK 71: "Instrumen Keuangan"
- PSAK 72: "Pendapatan dari Kontrak dengan Pelanggan"
- PSAK 73: "Sewa"
- Amandemen PSAK 62: "Kontrak Asuransi" menerapkan PSAK 71: "Instrumen keuangan" dengan PSAK 62: "Kontrak Asuransi"
- Amandemen PSAK 15: "Investasi pada Entitas Asosiasi dan Ventura Bersama"
- Amandemen PSAK 71: "Instrumen Keuangan: fitur percepatan pelunasan dengan kompensasi negatif"

Pada saat penerbitan laporan keuangan, Bank HSBC Indonesia masih mengevaluasi dampak yang mungkin timbul dari penerapan standar baru dan revisi tersebut terhadap laporan keuangan.

2. BASIS OF PREPARATION (continued)**c. Changes in accounting policies (continued)**

- ISFAS 34: "Uncertainty over Income Tax Treatments"

The standard is an interpretation of SFAS 46 "Income Taxes" that clarifies the application of SFAS 46 where uncertainty over income taxes exists.

- Amendment to SFAS 24 "Employee benefits"

This amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment, or settlement. It also requires an entity to recognise profit or loss as part of past service cost, or a gain or loss on a settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

- Amendment to SFAS 46 "Income taxes"

The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized. These requirements apply to all income tax consequences of dividends.

All the above SFAS had no significant effect on the amounts reported for the current period or prior years.

New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2020 are as follows:

- SFAS 71: "Financial Instruments"
- SFAS 72: "Revenue from Contract with Customers"
- SFAS 73: "Leases"
- Amendment to SFAS 62: "Insurance Contract" applying SFAS 71: "Financial Instruments" to PSAK 62 "Insurance Contract"
- Amendment to SFAS 15: "Long-term interests in associates and joint ventures"
- Amendment to SFAS 71: "Financial Instruments: features with negative compensation"

As at the authorisation date of this financial statements, Bank HSBC Indonesia are still evaluating the potential impact of these new and revised standards on the financial statements.

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2. DASAR PENYUSUNAN (lanjutan)**c. Perubahan kebijakan akuntansi (lanjutan)**

Berikut ini adalah standar akuntansi yang berlaku efektif tanggal 1 Januari 2020 tapi Bank memutuskan untuk menerapkan secara dini standar tersebut sejak tanggal 1 Januari 2019:

- PSAK 73 "Sewa"

PSAK 73 "Sewa" memiliki tanggal efektif untuk periode pelaporan tahunan yang dimulai pada atau setelah tanggal 1 Januari 2020. Penerapan dini diperkenankan untuk entitas yang juga menerapkan PSAK 72 'Pendapatan dari Kontrak dengan Pelanggan' pada atau sebelum tanggal penerapan dini. Bank telah 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 sewa pada neraca. Penyewa menyusutkan aset hak-guna selama masa sewa, dan liabilitas sewa diukur pada biaya diamortisasi. Akuntansi Pesewa secara substansial tetap meneruskan persyaratan dalam PSAK 30.

Bank melakukan penerapan dini Pernyataan ini menggunakan pendekatan secara retrospektif yang dimodifikasi 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 meningkatkan aset sekitar Rp 363 milyar dan meningkatkan liabilitas keuangan sebesar jumlah yang sama tanpa mempengaruhi nilai aset bersih ataupun saldo laba yang ditahan per 1 Januari 2019.

- PSAK 72 "Pendapatan dari Kontrak dengan Pelanggan"

Pada bulan Juli 2017, DSAK IAI menerbitkan PSAK 72 "Pendapatan dari Kontrak dengan Pelanggan" dan memiliki tanggal efektif untuk periode pelaporan tahunan yang dimulai pada atau setelah tanggal 1 Januari 2020, dengan penerapan dini diperkenankan. PSAK 72 menetapkan prinsip untuk mengakui pendapatan dan memperkenalkan konsep pengakuan pendapatan ketika (atau selama) entitas menyelesaikan kewajiban pelaksanaan.

Bank telah 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, mengakui dampak kumulatif, jika ada, pada awal penerapan Pernyataan ini sebagai penyesuaian pada saldo awal dari saldo laba yang ditahan.

2. BASIS OF PREPARATION (continued)**c. Changes in accounting policies (continued)**

The following accounting standards will become effective on 1 January 2020 but the Bank decided to early adopt the standards starting from 1 January 2019:

- SFAS 73 "Leases"

SFAS 73 "Leases" has an effective date for annual periods beginning on or after 1 January 2020. Early adoption is permitted provided the entity also adopts SFAS 72 'Revenue from Contracts with Customers' on or before the early adoption date. The Bank has early adopted this SFAS 73 on 1 January 2019 at the same time as the adoption of SFAS 72.

SFAS 73 sets 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 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 early adopted the standard using a modified retrospective approach where the cumulative effect of initially applying it, if any, is recognised as an adjustment to the opening balance of retained earnings and comparatives are not restated. The implementation has increased assets by approximately Rp 363 billion and increased financial liabilities by the same amount with no effect on net assets or retained earnings as at 1 January 2019.

- SFAS 72 "Revenue from Contracts with Customers"

In July 2017, the DSAK IAI issued SFAS 72 "Revenue from Contracts with Customers" and it is effective for annual periods beginning on or after 1 January 2020, with early adoption is allowed. 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 has early adopted the standard on 1 January 2019, at the same time as the early adoption SFAS 73 "Leases". Bank early adopted the standard on a retrospective basis, recognising the cumulative effect, if any, of initially applying the standard as an adjustment to the opening balance of retained earnings.

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2. DASAR PENYUSUNAN (lanjutan)**c. Perubahan kebijakan akuntansi (lanjutan)**

Berikut ini adalah standar akuntansi yang berlaku efektif tanggal 1 Januari 2020 tapi Bank memutuskan untuk menerapkan secara dini standar tersebut sejak tanggal 1 Januari 2019: (lanjutan)

- PSAK 72 "Pendapatan dari Kontrak dengan Pelanggan" (lanjutan)

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 telah mengevaluasi Pernyataan baru ini dan menyimpulkan bahwa pengakuan pendapatan provisi dan komisi saat ini telah konsisten dengan Pernyataan baru ini dan tidak terdapat dampak transisi terhadap saldo awal dari saldo laba yang ditahan.

3. IKHTISAR KEBIJAKAN AKUNTANSI YANG PENTING

Kebijakan-kebijakan akuntansi yang penting yang diterapkan dalam penyusunan laporan keuangan Bank adalah sebagai berikut:

a. Aset 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.

2. BASIS OF PREPARATION (continued)**c. Changes in accounting policies (continued)**

The following accounting standards will become effective on 1 January 2020 but the Bank decided to early adopt the standards starting from 1 January 2019: (continued)

- SFAS 72 "Revenue from Contracts with Customers" (continued)

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 other line items are covered by SFAS 55 (e.g. net interest income, net trading income). The Bank has assessed the new standard and concluded that the current recognition of fee and commission income is consistent with the new standard and there is no transitional impact on the opening balance of retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the Bank's financial statements are 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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
a. Aset dan liabilitas keuangan (lanjutan)

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.

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 2019 dan 2018, 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
a. Financial assets and liabilities (continued)

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.

a.1. Classification

The available-for-sale category consists of non-derivative financial assets that are designated as available-for-sale or are not classified in one of the other categories of financial assets.

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 2019 and 2018, 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

The 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 assets or issuance of financial liability. The subsequent measurement of financial assets and financial liabilities depends on their classification.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**

a. Aset dan liabilitas keuangan (lanjutan)

a.2. Pengakuan (lanjutan)

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.

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 menghapusbukukan 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

a. Financial assets and liabilities (continued)

a.2. Recognition (continued)

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.

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 canceled 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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
a. Aset dan liabilitas keuangan (lanjutan)
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.

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 kuotasi di pasar aktif untuk instrumen tersebut.

Instrumen keuangan dianggap memiliki kuotasi di pasar aktif jika harga kuotasi 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
a. Financial assets and liabilities (continued)
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.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
a. Aset dan liabilitas keuangan (lanjutan)
a.6. Pengukuran nilai wajar (lanjutan)

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 kuotasi 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 menanggihkan 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.

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 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
a. Financial assets and liabilities (continued)
a.6. Fair value measurement (continued)

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.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
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.

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

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.

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 2019 dan 2018 adalah sebagai berikut:

Valuta asing		2019	2018	Foreign currencies	
		Rupiah penuh/ Rupiah full amount	Rupiah penuh/ Rupiah full amount		
1	Pound Inggris (GBP)	18.238,14	18.311,50	British Pound (GBP)	1
1	Euro (EUR)	15.570,61	16.440,66	Euro (EUR)	1
1	Dolar Amerika Serikat (USD)	13.882,50	14.380,00	United States Dollar (USD)	1
100	Yen Jepang (JPY)	12.781,00	13.062,00	Japanese Yen (JPY)	100
1	Dolar Singapura (SGD)	10.315,05	10.554,91	Singapore Dollar (SGD)	1
1	Dolar Australia (AUD)	9.725,39	10.162,35	Australian Dollar (AUD)	1
1	Dolar Hong Kong (HKD)	1.782,75	1.836,28	Hong Kong Dollar (HKD)	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 2019 and 2018 are as follows:

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
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. personil 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 personil 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 personnel of the reporting entity or 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 personnel 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. Sewa

Mulai 1 Januari 2019, Bank menerapkan PSAK 73 Sewa untuk kontrak sewanya.

Bank mengevaluasi pada saat inisiasi sebuah kontrak apakah kontrak merupakan atau mengandung sewa, yaitu jika kontrak tersebut memberikan hak untuk mengendalikan penggunaan aset identifikasi selama suatu jangka waktu untuk dipertukarkan dengan imbalan.

Bank mengakui aset hak-guna dan liabilitas sewa sehubungan dengan perjanjian sewa dimana Bank sebagai penyewa, kecuali untuk sewa jangka pendek (memiliki masa sewa 12 bulan atau kurang) dan sewa yang aset dasarnya bernilai rendah. Untuk sewa tersebut, Bank mengakui pembayaran sewa sebagai beban operasional dengan dasar garis lurus selama masa sewa kecuali terdapat dasar sistematis lain yang lebih merepresentasikan pola manfaat penyewa.

Bank menetapkan maksimum masa sewa sebagai masa sewa yang tidak dapat dibatalkan ditambah dengan opsi perpanjangan satu masa sewa yang dieksekusi. Bank tidak dapat menentukan masa sewa lebih panjang dari maksimum tersebut karena tidak terdapat opsi kontraktual lebih lanjut yang dapat dievaluasi terhadap insentif ekonominya.

**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. Leases

Starting 1 January 2019, the Bank adopted SFAS 73 Leases to lease contracts.

The Bank assesses at inception of a contract whether a contract is or contains a lease that is if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which the Bank is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the pattern of the lessee's benefit.

The Bank sets a maximum lease period as the non-cancellable period together with the exercise of extension options. The Bank would not determine a longer period, because there are no further contractual options to assess against any economic incentives.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
I. Sewa (lanjutan)

Liabilitas sewa pada tanggal permulaan diukur pada nilai kini pembayaran sewa yang belum dibayar pada tanggal tersebut, didiskontokan dengan menggunakan suku bunga implisit dalam sewa. Jika suku bunga tersebut tidak dapat ditentukan, maka Bank menggunakan suku bunga pinjaman inkremental. Umumnya Bank menggunakan suku bunga pinjaman inkremental.

Setelah tanggal permulaan, liabilitas sewa diukur dengan meningkatkan jumlah tercatat untuk merefleksikan bunga atas liabilitas sewa, mengurangi jumlah tercatat untuk merefleksikan sewa yang telah dibayar, dan mengukur kembali jumlah tercatat untuk merefleksikan penilaian kembali atau modifikasi sewa, atau untuk merefleksikan revisi pembayaran sewa tetap secara substansial.

Aset hak-guna pada tanggal permulaan diukur pada biaya perolehan yang terdiri dari jumlah pengukuran awal liabilitas sewa, ditambah pembayaran sewa yang dilakukan pada atau sebelum tanggal permulaan, dikurangi dengan insentif sewa yang diterima, ditambah biaya awal langsung yang dikeluarkan dan estimasi biaya dalam membongkar, memindahkan dan merestorasi aset pendasar atau merestorasi tempat dimana aset pendasar berada.

Setelah tanggal permulaan, aset hak-guna diukur pada biaya perolehan dikurangi dengan akumulasi penyusutan dan akumulasi kerugian penurunan nilai.

Sesuai PSAK 73, Bank telah memilih menggunakan cara praktis untuk tidak memisahkan komponen non-sewa dari komponen sewa, dan memilih mencatat masing-masing komponen sewa dan komponen nonsewa terkait sebagai komponen sewa tunggal.

m. Aset tetap
m.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.

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
I. Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The right-of-use asset is initially measured at cost which comprises the initial measurement of the lease liability, plus any lease payment made at or before the commencement date, less any lease incentive received, plus any initial direct costs incurred and any estimated cost of dismantling, removing and restoring the underlying asset or restoring the site where the asset is located.

After initial recognition, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses.

As permitted by SFAS 73, the Bank has elected to use a practical expedient not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

m. Properties and equipments
m.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.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
m. Aset tetap (lanjutan)
m.1. Pengakuan dan pengukuran (lanjutan)

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.

m.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.

m.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.

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.

n. 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
m. Properties and equipments (continued)
**m.1. Recognition and measurement
(continued)**

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.

m.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.

m.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.

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.

n. 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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
n. Aset yang dimiliki untuk dijual (lanjutan)

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.

o. 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.

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.

p. 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
n. Assets held for sale (continued)

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.

o. 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.

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.

p. 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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
**p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**

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.

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.

p.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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
**p. Identification and measurement of
impairment of financial assets (continued)**

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.

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.

p.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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
**p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**
p.2. Dinilai secara kolektif

Kerugian penurunan nilai dievaluasi secara kolektif untuk portofolio aset keuangan berikut ini:

- Aset keuangan yang ditelaah secara individu (lihat Catatan 3p.1 di atas) dalam hal kerugian telah terjadi tetapi belum dapat diidentifikasi; dan
- Kredit homogen yang tidak signifikan secara individu.

**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)**
**p. Identification and measurement of
impairment of financial assets (continued)**
p.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 3p.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.

**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)**
**p. 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)**
**p. 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)**
**q. 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.

r. 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.

s. 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)**
**q. 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.

r. 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.

s. 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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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
s. 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.

t. Imbalan kerja
t.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 handal.

t.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)**
**s. 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.

t. Employee benefits
t.1. Short-term employee benefit obligation

Short-term employee benefit obligation represents 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.

t.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)**
t. Imbalan kerja (lanjutan)
**t.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.

t.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)**
t. Employee benefits (continued)
**t.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.

t.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)**
t. Imbalan kerja (lanjutan)
t.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.

Biaya bunga bersih dihitung dengan menerapkan tingkat diskonto terhadap saldo bersih kewajiban imbalan pasti dan nilai wajar aset program. Biaya ini termasuk dalam beban imbalan kerja dalam laporan laba rugi.

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.

Perubahan nilai kini atas kewajiban imbalan pasti yang timbul dari amandemen rencana atau pembatasan langsung diakui dalam laporan laba rugi sebagai biaya jasa lalu.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
t. Employee benefits (continued)
**t.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 or losses.

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.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

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.

Changes in the present value of defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit or loss as past service cost.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
t. Imbalan kerja (lanjutan)
t.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.

u. 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.

v. Modal saham

Saham diklasifikasikan sebagai ekuitas karena tidak terdapat kewajiban kontraktual untuk mentransfer kas atau aset keuangan lainnya.

w. Beban emisi

Beban emisi saham disajikan sebagai bagian dari tambahan modal disetor dan tidak diamortisasi.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
t. Employee benefits (continued)
t.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.

u. 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.

v. Share capital

Shares are classified as equity as there is no contractual obligation to transfer cash or other financial assets.

w. Issuance costs

Share issuance costs are presented as part of additional paid-in capital and are not amortised.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
x. 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.

y. 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.

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.

Kontrak dengan pelanggan yang menghasilkan pengakuan instrumen keuangan pada laporan keuangan Bank mungkin sebagian dapat merupakan lingkup dari PSAK 72 dan sebagian merupakan lingkup dari Pernyataan lain. Dalam hal dimana kontrak sebagian merupakan lingkup dari Pernyataan lain, maka Bank terlebih dahulu menerapkan pemisahan dan/atau persyaratan pengukuran dari Pernyataan lain tersebut, dan kemudian menerapkan PSAK 72 pada residualnya.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
x. 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.

y. 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.

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.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may fall partially within the scope of SFAS 72 and partially within the scope of another standard. In cases where the contract is partially within scope of another standard, the Bank first applies the separation and/or measurement requirements from that other standard, and then applies SFAS 72 to the residual.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
**z. 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.

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
z. 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.

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 are 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)**b. Risiko kredit (lanjutan)**

- i. Eksposur maksimum terhadap risiko kredit (lanjutan)

	2019	2018
Laporan posisi keuangan:		
Giro pada Bank Indonesia	7.343.788	7.777.923
Giro pada bank-bank lain	2.261.135	1.996.602
Penempatan pada Bank Indonesia	1.488.506	349.898
Penempatan pada bank-bank lain	7.696.511	7.507.532
Efek-efek untuk tujuan investasi	14.418.802	12.599.817
Aset keuangan dalam kelompok diperdagangkan	2.863.738	2.903.759
Tagihan derivatif	476.731	541.882
Efek-efek yang dibeli dengan janji dijual kembali	464.945	1.093.927
Wesel ekspor	1.434.664	1.081.959
Tagihan akseptasi	2.601.928	2.405.640
Kredit yang diberikan kepada nasabah	65.533.877	66.343.972
Aset lain-lain - pendapatan yang masih akan diterima	558.313	550.708
	<u>107.142.938</u>	<u>105.153.619</u>
Rekening administratif dengan risiko kredit:		
L/C yang tidak dapat dibatalkan	2.332.307	3.035.786
Fasilitas kredit yang belum digunakan - <i>committed</i>	4.242.629	1.061.317
Bank garansi yang diterbitkan	9.294.264	10.525.813
	<u>15.869.200</u>	<u>14.622.916</u>
Jumlah	<u>123.012.138</u>	<u>119.776.535</u>

- ii. Pembagian aset keuangan berdasarkan kualitas kredit

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.

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.

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.

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.

4. FINANCIAL RISK MANAGEMENT (continued)**b. Credit risk (continued)**

- i. Maximum exposure to credit risk (continued)

Statement of financial position:
Demand deposits with Bank Indonesia
Demand deposits with other banks
Placements with Bank Indonesia
Placements with other banks
Investment securities
Financial assets held for trading
Derivative receivables
Securities purchased with agreement to resell
Export bills
Acceptance receivables
Loans to customers
Other assets - accrued income

**Off-balance sheet accounts with credit risk:
Irrevocable L/C**

Unused credit facilities - committed
Bank guarantees issued

- ii. Distribution of financial assets by their credit quality

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.

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.

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.

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)**b. Risiko kredit (lanjutan)**

- ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

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-
Cukup/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 Rating²⁾ EL: Expected Loss

Definisi dari kualitas kredit Bank adalah sebagai berikut:

- 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.
- Cukup: 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.

4. FINANCIAL RISK MANAGEMENT (continued)**b. Credit risk (continued)**

- ii. Distribution of financial assets by their credit quality (continued)

The Bank's credit quality definitions are as follows:

- 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 dari 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 2019 dan 2018 disajikan di bawah ini:

Distribution of financial assets by their credit quality as of 31 December 2019 and 2018 is summarised as below:

	2019										Assets at amortised cost	Impaired financial assets	Past due but not impaired financial assets:	Neither past due nor impaired financial assets:	Carrying amount - amortised cost
	Giro pada Bank Indonesia/ Demand deposits with Bank Indonesia	Penempatan pada Bank Indonesia/ Placements with Bank Indonesia	Penempatan pada bank- lain/ Demand deposits with other banks	Efek-efek untuk tujuan investasi/ Investment securities	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for trading	Tagihan derivatif/ Derivative receivables	Wesel ekspor/ Export bills	Tagihan akseptasi/ Acceptance receivables	Kredit yang diberikan kepada nasabah - Loans to customers - net	Aset lain- lain - pendapatan yang masih akan diterima/ Other assets - accrued income			Up to 29 days From 30 days to 59 days From 60 days to 89 days	Strong Good Satisfactory Sub-standard Less: allowance for impairment losses	
Aset pada biaya perolehan diamortisasi															
Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	1.971	2.693.967	177	2.696.115				
Aset keuangan yang telah jatuh tempo tetapi tidak mengalami penurunan nilai: Sampai dengan 29 hari	-	-	-	-	-	-	-	-	6.922	-	6.922				
Dari 30 hari sampai dengan 59 hari	-	-	-	-	-	-	-	-	82.536	-	82.536				
Dari 60 hari sampai dengan 89 hari	-	-	-	-	-	-	-	-	243.993	-	243.993				
Aset keuangan yang belum jatuh tempo dan tidak mengalami penurunan nilai:															
Lancar	4.268.814	2.246.859	1.488.506	-	-	-	258.940	76.392	15.698.128	322.513	32.521.608				
Baik	3.074.974	217	-	-	-	-	786.485	1.217.928	19.645.741	79.033	24.804.378				
Cukup	-	14.059	-	-	-	-	385.241	960.030	26.952.992	142.371	28.454.693				
Kurang lancar	-	-	-	-	-	-	3.998	345.607	2.332.781	14.219	2.696.605				
Dikurangi: cadangan kerugian penurunan nilai	-	-	-	-	-	-	-	-	(2.123.183)	-	(2.123.183)				
Jumlah nilai tercatat - biaya perolehan diamortisasi	7.343.788	2.261.135	1.488.506	-	-	-	1.434.664	2.601.928	65.533.877	558.313	89.383.667				

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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 2019 dan 2018 disajikan di bawah ini: (lanjutan)

Distribution of financial assets by their credit quality as of 31 December 2019 and 2018 is summarised as below: (continued)

2019 (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 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	Tagihan akseptasi/ 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													Assets at fair value
Aset keuangan yang belum jatuh tempo dan tidak mengalami penurunan nilai:													Neither past due nor impaired financial assets:
Lancar	-	-	-	-	14.418.802	2.863.738	359.383	-	-	-	-	-	Strong
Baik	-	-	-	-	-	-	34.667	-	-	-	-	-	Good
Cukup	-	-	-	-	-	-	82.592	-	-	-	-	-	Satisfactory
Kurang lancar	-	-	-	-	-	-	89	-	-	-	-	-	Sub-standard
Jumlah nilai tercatat - nilai wajar	-	-	-	-	14.418.802	2.863.738	476.731	-	-	-	-	-	Carrying amount - fair value
Jumlah nilai tercatat	7.343.788	2.261.135	1.488.506	7.696.511	14.418.802	2.863.738	476.731	464.945	1.434.664	2.601.928	65.533.877	558.313	Total carrying amount

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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 2019 dan 2018 disajikan di bawah ini: (lanjutan)

Distribution of financial assets by their credit quality as of 31 December 2019 and 2018 is summarised as below: (continued)

	2018													
	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 dijual kembali/ Securities purchased with agreement to resell	Wesel ekspor/ Export bills	Tagihan akseptasi/ 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	Assets at amortised cost
Aset pada biaya perolehan diamortisasi														
Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	-	526	7.451	2.889.620	113	2.897.710	Impaired financial assets
Aset keuangan yang telah jatuh tempo tetapi tidak mengalami penurunan nilai: Sampai dengan 29 hari	-	-	-	-	-	-	-	-	-	-	107.357	-	107.357	Past due but not impaired financial assets:
Dari 30 hari sampai dengan 59 hari	-	-	-	-	-	-	-	-	-	-	67.259	-	67.259	Up to 29 days
Dari 60 hari sampai dengan 89 hari	-	-	-	-	-	-	-	-	-	-	13.657	-	13.657	From 30 days to 59 days
Aset keuangan yang belum jatuh tempo dan tidak mengalami penurunan nilai: Lancar	4.247.633	1.947.152	349.898	7.507.532	-	-	-	1.093.927	292.507	490.705	17.692.887	289.411	33.911.452	From 60 days to 89 days
Baik	3.530.290	26.946	-	-	-	-	-	455.474	450.511	19.320.895	170.729	74.643	23.858.759	Neither past due nor impaired financial assets:
Cukup	-	22.504	-	-	-	-	-	276.638	1.214.128	24.829.472	3.554.353	15.812	26.513.471	Strong
Kurang lancar	-	-	-	-	-	-	-	56.814	242.845	3.554.353	3.554.353	15.812	3.869.824	Good
Dikurangi: cadangan kerugian penurunan nilai	-	-	-	-	-	-	-	-	-	-	-	-	-	Satisfactory
														Sub-standard
Jumlah nilai tercatat - biaya perolehan diamortisasi	7.777.923	1.996.602	349.898	7.507.532	-	-	-	1.093.927	1.081.959	2.405.640	66.343.972	550.708	89.108.161	Less: allowance for impairment losses
														Carrying amount - amortised cost

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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 2019 dan 2018 disajikan di bawah ini: (lanjutan)

Distribution of financial assets by their credit quality as of 31 December 2019 and 2018 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 dikembalikan/ Securities purchased with agreement to resell	Wesel ekspor/ Export bills	Tagihan akseptansi/ Acceptance receivables	Kredit yang diberikan kepada nasabah/ 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
Cukup	-	-	-	-	-	-	52.358	-	-	-	-	-	52.358
Kurang lancar	-	-	-	-	-	-	7	-	-	-	-	-	7
Jumlah nilai tercatat - nilai wajar	-	-	-	-	12.599.817	2.903.759	541.882	-	-	-	-	-	16.045.458
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

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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.

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.

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.

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.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)**b. Risiko kredit (lanjutan)****iii. Agunan (lanjutan)**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.

Bank mematuhi rasio LTV kredit properti sebagaimana diatur oleh Peraturan Bank Indonesia yang terakhir berupa Peraturan Anggota Dewan Gubernur No.21/25/PADG/2019 tentang rasio *Loan to Value* untuk kredit properti, rasio *Financing to Value* untuk pembiayaan properti, dan uang muka untuk kredit atau pembiayaan kendaraan bermotor.

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.

4. FINANCIAL RISK MANAGEMENT (continued)**b. Credit risk (continued)****iii. Collaterals (continued)**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.

Bank complies with LTV ratio for mortgage lending as governed by Bank Indonesia regulation which the prevailing regulation is the Governor Members Regulation No.21/25/PADG/2019 regarding *Loan to Value* ratio for mortgage lending, *Financing to Value* ratio for property lending and down payment for motor vehicle financing or lending.

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.

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)**b. Risiko kredit (lanjutan)****iii. Agunan (lanjutan)**Kredit korporasi (lanjutan)

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.

Tabel berikut menyajikan konsentrasi aset keuangan berdasarkan debitur:

4. FINANCIAL RISK MANAGEMENT (continued)**b. Credit risk (continued)****iii. Collaterals (continued)**Corporate lending (continued)

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.

The following table presents the concentration of financial assets by type of debtors:

2019					
	Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/ Banks	Jumlah/ Total	
Giro pada Bank Indonesia	-	7.343.788	-	7.343.788	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	-	-	2.261.135	2.261.135	Demand deposits with other banks
Penempatan pada Bank Indonesia	-	1.488.506	-	1.488.506	Placement with Bank Indonesia
Penempatan pada bank-bank lain	-	-	7.696.511	7.696.511	Placements with other banks
Efek-efek untuk tujuan investasi	-	14.418.802	-	14.418.802	Investment securities
Aset keuangan dalam kelompok diperdagangkan	-	2.863.738	-	2.863.738	Financial assets held for trading
Tagihan derivatif	163.072	-	313.659	476.731	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	464.945	-	464.945	Securities purchased with agreement to resell
Wesel Ekspor	1.434.664	-	-	1.434.664	Export Bills
Tagihan akseptasi	2.331.295	-	270.633	2.601.928	Acceptance receivables
Kredit yang diberikan kepada nasabah - bersih	65.533.877	-	-	65.533.877	Loans to customers - net
Aset lain-lain - pendapatan yang masih akan diterima	290.031	268.282	-	558.313	Other assets - accrued income
Rekening administratif dengan risiko kredit	13.313.065	-	2.556.135	15.869.200	Off-balance sheet accounts with credit risk
Jumlah	83.066.004	26.848.061	13.098.073	123.012.138	Total
%	67%	22%	11%		%
2018					
	Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/ Banks	Jumlah/ Total	
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	Placement 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	158.605	-	383.277	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	2.080.674	-	324.966	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	304.533	246.175	-	550.708	Other assets - accrued income
Rekening administratif dengan risiko kredit	14.598.065	-	24.851	14.622.916	Off-balance sheet accounts with credit risk
Jumlah	84.567.808	24.971.499	10.237.228	119.776.535	Total
%	71%	21%	8%		%

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)**b. Risiko kredit (lanjutan)****iv. Analisa konsentrasi risiko kredit**

Konsentrasi kredit yang diberikan kepada nasabah berdasarkan jenis kredit dan sektor ekonomi diungkapkan pada Catatan 14.

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)**b. Credit risk (continued)****iv. Concentration of credit risk analysis**

The concentration of loans to customers by type of loan and economic sector is disclosed in Note 14.

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)

c. Risiko pasar (lanjutan)

i. Risiko mata uang (lanjutan)

PDN Bank pada tanggal 31 Desember 2019 dan 2018 berdasarkan mata uang adalah sebagai berikut:

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk (continued)

i. Currency risk (continued)

The Bank's NOP as of 31 December 2019 and 2018 by currencies are as follows:

2019					
		Aset/Assets	Liabilitas/Liabilities	Posisi devisa neto (nilai absolut)/Net open position (absolute amount)	
Mata uang					Currencies
Keseluruhan (laporan posisi keuangan dan rekening administratif)					Aggregate (statement of financial position and off-balance sheet accounts)
Dolar Amerika Serikat	51.905.609	52.818.854	913.245		United States Dollar
Dolar Australia	1.040.413	1.041.107	694		Australian Dollar
Dolar Singapura	617.420	617.820	400		Singapore Dollar
Dolar Hong Kong	151.473	149.205	2.268		Hong Kong Dollar
Pound Inggris	798.566	799.459	893		British Pound
Yen Jepang	529.247	531.284	2.037		Japanese Yen
Yuan Cina	410.283	242.159	168.124		China Yuan
Yuan Cina Renminbi	22.927	193.000	170.073		Chinese Yuan Renminbi
Euro	1.450.506	1.452.849	2.343		Euro
Franc Swiss	54.561	54.900	339		Swiss Franc
Baht Thailand	8.980	6.940	2.040		Thailand Baht
Dolar Kanada	68.833	69.268	435		Canadian Dollar
Krone Denmark	836	6	830		Danish Krone
Rupiah India	215	73	142		Indian Rupee
Krona Swedia	837	38	799		Swedish Krona
Krone Norwegia	789	-	789		Norwegian Krone
Dolar Selandia Baru	29.916	31.039	1.123		New Zealand Dollar
Ringgit Malaysia	-	1	1		Malaysian Ringgit
Jumlah			1.266.575		Total
Jumlah modal (Catatan 4f)			19.667.473		Total capital (Note 4f)
Posisi Devisa Neto			6.44%		Net Open Position
2018					
		Aset/Assets	Liabilitas/Liabilities	Posisi devisa neto (nilai absolut)/Net open position (absolute amount)	
Mata uang					Currencies
Keseluruhan (laporan posisi keuangan dan rekening administratif)					Aggregate (statement of financial position and off-balance sheet accounts)
Dolar Amerika Serikat	54.033.276	54.904.938	871.662		United States Dollar
Dolar Australia	847.090	846.831	259		Australian Dollar
Dolar Singapura	661.052	660.712	340		Singapore Dollar
Dolar Hong Kong	224.649	221.578	3.071		Hong Kong Dollar
Pound Inggris	388.850	389.977	1.127		British Pound
Yen Jepang	225.854	225.969	115		Japanese Yen
Yuan Cina	22.689	311.388	288.699		China Yuan
Yuan Cina Renminbi	436.623	141.681	294.942		Chinese Yuan Renminbi
Euro	1.913.207	1.911.975	1.232		Euro
Franc Swiss	98.825	97.968	857		Swiss Franc
Baht Thailand	3.556	50	3.506		Thailand Baht
Dolar Kanada	82.218	82.643	425		Canadian Dollar
Krone Denmark	296	-	296		Danish Krone
Rupiah India	174	77	97		Indian Rupee
Krona Swedia	600	52	548		Swedish Krona
Krone Norwegia	374	-	374		Norwegian Krone
Dolar Selandia Baru	26.636	26.330	306		New Zealand Dollar
Ringgit Malaysia	-	1	1		Malaysian Ringgit
Jumlah			1.467.857		Total
Jumlah modal (Catatan 4f)			17.058.359		Total capital (Note 4f)
Posisi Devisa Neto			8,60%		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:

2019						
	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	7.343.788	7.343.788	-	-	-	-
Giro pada bank-bank lain	2.261.135	2.261.135	-	-	-	-
Penempatan pada Bank Indonesia	1.488.506	1.488.506	-	-	-	-
Penempatan pada bank-bank lain	7.696.511	7.696.511	-	-	-	-
Efek-efek untuk tujuan investasi	14.418.802	2.506.514	273.129	399.142	11.240.017	-
Efek-efek yang dibeli dengan janji dijual kembali	464.945	-	464.945	-	-	-
Wesel ekspor	1.434.664	856.566	578.098	-	-	-
Tagihan akseptasi Kredit yang diberikan kepada nasabah	2.601.928	2.338.028	262.408	1.492	-	-
	<u>65.533.877</u>	<u>65.533.877</u>	-	-	-	-
	<u>103.244.156</u>	<u>90.024.925</u>	<u>1.578.580</u>	<u>400.634</u>	<u>11.240.017</u>	-
Simpanan dari nasabah	(65.469.257)	(63.488.316)	(1.160.063)	(643.016)	(177.862)	-
Simpanan dari bank-bank lain	(5.058.515)	(5.058.515)	-	-	-	-
Pinjaman yang diterima	(15.062.513)	(15.062.513)	-	-	-	-
Pinjaman subordinasi	(1.041.188)	-	(1.041.188)	-	-	-
	<u>(86.631.473)</u>	<u>(83.609.344)</u>	<u>(2.201.251)</u>	<u>(643.016)</u>	<u>(177.862)</u>	-
	<u>16.612.683</u>	<u>6.415.581</u>	<u>(622.671)</u>	<u>(242.382)</u>	<u>11.062.155</u>	-
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	-	-	-	-
Giro pada bank-bank lain	1.996.602	1.996.602	-	-	-	-
Penempatan pada Bank Indonesia	349.898	349.898	-	-	-	-
Penempatan pada bank-bank lain	7.507.532	7.507.532	-	-	-	-
Efek-efek untuk tujuan investasi	12.599.817	3.365.495	2.969.848	2.744.174	3.520.300	-
Efek-efek yang dibeli dengan janji dijual kembali	1.093.927	682.756	411.171	-	-	-
Wesel ekspor	1.081.959	1.001.103	80.856	-	-	-
Tagihan akseptasi Kredit yang diberikan kepada nasabah	2.405.640	2.066.509	312.603	26.528	-	-
	<u>66.343.972</u>	<u>66.343.972</u>	-	-	-	-
	<u>101.157.270</u>	<u>91.091.790</u>	<u>3.774.478</u>	<u>2.770.702</u>	<u>3.520.300</u>	-
Simpanan dari nasabah	(54.906.968)	(53.165.194)	(1.137.139)	(604.635)	-	-
Simpanan dari bank-bank lain	(8.776.773)	(8.776.773)	-	-	-	-
Efek-efek yang dijual dengan janji dibeli kembali	(1.454.081)	(1.454.081)	-	-	-	-
Pinjaman yang diterima	(19.973.820)	(19.973.820)	-	-	-	-
Pinjaman subordinasi	(1.078.500)	-	(1.078.500)	-	-	-
	<u>(86.190.142)</u>	<u>(83.369.868)</u>	<u>(2.215.639)</u>	<u>(604.635)</u>	-	-
	<u>14.967.128</u>	<u>7.721.922</u>	<u>1.558.839</u>	<u>2.166.067</u>	<u>3.520.300</u>	-

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

c. Risiko pasar (lanjutan)

ii. Risiko tingkat bunga (lanjutan)

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*.

Tabel di bawah ini mengikhtisarkan suku bunga efektif rata-rata tertimbang pada tanggal 31 Desember 2019 dan 2018 untuk masing-masing instrumen keuangan.

	2019	2018
Aset Rupiah:		
Efek-efek untuk tujuan investasi:		
Sertifikat Bank Indonesia	6,08%	6,12%
Surat Perbendaharaan Negara	4,90%	6,07%
Obligasi pemerintah	6,95%	7,85%
Obligasi pemerintah – sukuk*)	5,90%	6,77%
Efek-efek yang dibeli dengan janji dijual kembali	5,11%	6,27%
Kredit yang diberikan kepada nasabah	10,60%	11,27%
Valuta asing:		
Penempatan pada bank-bank lain:		
<i>Call money</i>	1,20%	1,98%
Efek-efek untuk tujuan investasi:		
Obligasi pemerintah	2,91%	4,48%
Kredit yang diberikan kepada nasabah	5,43%	5,66%

*) Menunjukkan rata-rata tertimbang dari bagi hasil

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk (continued)

ii. Interest rate risk (continued)

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.

The tables below summarise the weighted average effective interest rates as of 31 December 2019 and 2018 for each financial instrument.

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	

Represent weighted average of revenue sharing *)

	2019	2018
Liabilitas Rupiah:		
Simpanan dari nasabah:		
Giro	0,79%	0,74%
Tabungan	1,30%	1,07%
Deposito berjangka dan <i>deposits on call</i>	3,38%	5,93%
Simpanan dari bank-bank lain:		
Giro	1,11%	1,87%
<i>Call money</i>	4,89%	6,26%
Efek-efek yang dijual dengan janji dibeli kembali	0,00%	6,29%
Valuta asing:		
Simpanan dari nasabah:		
Giro	0,15%	0,01%
Tabungan	0,04%	0,06%
Deposito berjangka dan <i>deposits on call</i>	0,90%	1,30%
Simpanan dari bank-bank lain:		
Giro	0,00%	0,00%
Pinjaman yang diterima	2,43%	3,14%
Pinjaman subordinasi	6,76%	7,20%

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 ekstrim 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;
- Penggunaan tingkat keyakinan pada tingkat 99 persen, secara definisi, tidak memperhitungkan kerugian yang mungkin terjadi di luar tingkat keyakinan tersebut;

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;
- The use of a 99 percent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)**c. Risiko pasar (lanjutan)**iii. *Value at Risk* (lanjutan)

- 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:

	2019		
	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	25.808	8.217	24.434

Bank melakukan validasi atas keakurasian 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 ekstrim. 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)

- 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 are as follows:

	2018		
	Jumlah VaR/ Total VaR	VaR untuk portofolio yang diperdagangkan/ Trading VaR	
		Risiko Nilai Tukar/ Foreign Exchange Risk	Risiko Tingkat Suku Bunga/ Interest Rate Risk
At 31 December	13.947	152	13.899

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>2019</u>	<u>2018</u>
<i>Liquidity Coverage Ratio</i> - Dihitung berdasarkan Kebijakan Internal ^{*)}	347%	320%
<i>Liquidity Coverage Ratio</i> - Dihitung berdasarkan peraturan OJK yang berlaku	517%	379%

*) 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:

	<u>2019</u>	<u>2018</u>
<i>Liquidity Coverage Ratio</i> - Calculated based on internal policy ^{*)}	347%	320%
<i>Liquidity Coverage Ratio</i> - Calculated based on the prevailing FSA regulations	517%	379%

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:

	2019	2018
Net Stable Funding Ratio - Dihitung berdasarkan kebijakan internal ^{*)}	164%	168%
Net Stable Funding Ratio - Dihitung berdasarkan peraturan OJK yang berlaku	153%	150%

^{*)} Tidak diauditRencana 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 2019 dan 2018 adalah sebagai berikut:

	2019				
	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	(65.469.257)	(66.005.970)	(60.466.676)	(3.128.815)	(2.410.479)
Simpanan dari bank-bank lain	(5.058.515)	(5.058.708)	(5.058.708)	-	-
Utang akseptasi	(2.601.928)	(2.601.928)	(1.140.704)	(1.197.324)	(263.900)
Pinjaman yang diterima	(15.062.513)	(15.062.513)	-	-	(15.062.513)
Pinjaman subordinasi	(1.041.188)	(1.041.188)	-	-	(1.041.188)
Liabilitas lainnya	(770.011)	(770.011)	(770.011)	-	-
L/C yang tidak dapat dibatalkan	-	(2.332.307)	(619.342)	(1.430.857)	(282.108)
Fasilitas kredit yang belum digunakan - <i>committed</i>	-	(4.242.629)	-	-	(4.242.629)
	<u>(90.003.412)</u>	<u>(97.115.254)</u>	<u>(68.055.441)</u>	<u>(5.756.996)</u>	<u>(23.302.817)</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:

	2019	2018
Net Stable Funding Ratio - Calculated based on internal policy ^{*)}	164%	168%
Net Stable Funding Ratio - Calculated based on the prevailing FSA regulations	153%	150%

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 2019 and 2018 are as follows:

	2019				
	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>Non-derivative payables</u>					
Deposits from customers	(65.469.257)	(66.005.970)	(60.466.676)	(3.128.815)	(2.410.479)
Deposits from other banks	(5.058.515)	(5.058.708)	(5.058.708)	-	-
Acceptance payables	(2.601.928)	(2.601.928)	(1.140.704)	(1.197.324)	(263.900)
Borrowings	(15.062.513)	(15.062.513)	-	-	(15.062.513)
Subordinated debt	(1.041.188)	(1.041.188)	-	-	(1.041.188)
Other liabilities	(770.011)	(770.011)	(770.011)	-	-
Irrevocable L/C	-	(2.332.307)	(619.342)	(1.430.857)	(282.108)
Unused credit facilities - committed	-	(4.242.629)	-	-	(4.242.629)
	<u>(90.003.412)</u>	<u>(97.115.254)</u>	<u>(68.055.441)</u>	<u>(5.756.996)</u>	<u>(23.302.817)</u>

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)**d. Risiko likuiditas (lanjutan)**Eksposur risiko likuiditas (lanjutan)**4. FINANCIAL RISK MANAGEMENT (continued)****d. Liquidity risk (continued)**Exposure to liquidity risk (continued)

2019 (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>					
Diperdagangkan:					
Arus kas keluar	(473.541)	(71.178.189)	(36.243.567)	(20.212.469)	(14.722.153)
Arus kas masuk	-	71.605.429	35.197.852	20.729.226	15.678.351
	(473.541)	427.240	(1.045.715)	516.757	956.198
	(90.476.953)	(96.688.014)	(69.101.156)	(5.240.239)	(22.346.619)

Derivative payables

Trading:

Cash outflow

Cash inflow

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)
Efek-efek yang dijual dengan janji dijual kembali	(1.454.081)	(1.454.081)	(1.454.081)	-	-
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)	-	-
L/C yang tidak dapat dibatalkan	-	(3.035.786)	(577.844)	(2.047.596)	(410.346)
Fasilitas kredit yang belum digunakan - committed	-	(1.061.317)	-	-	(1.061.317)
	(89.336.257)	(94.247.569)	(62.079.216)	(7.520.426)	(24.647.927)
<u>Liabilitas derivatif</u>					
Diperdagangkan:					
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)

Non-derivative payables

Deposits from customers

Deposits from other banks

Acceptance payables

Securities sold with agreement to repurchase

Borrowings

Subordinated debt

Other liabilities

Irrevocable L/C

Unused credit facilities - committed

Derivative payables

Trading:

Cash outflow

Cash inflow

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 2019 dan 2018 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 2019 and 2018 are as follows:

2019							
	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
Kas	696.281	-	-	-	-	-	696.281
Giro pada Bank Indonesia	7.343.788	-	-	-	-	-	7.343.788
Giro pada bank-bank lain	2.261.135	-	-	-	-	-	2.261.135
Penempatan pada Bank Indonesia	-	1.488.506	-	-	-	-	1.488.506
Penempatan pada bank-bank lain	-	7.696.511	-	-	-	-	7.696.511
Efek-efek untuk tujuan investasi	-	620.795	1.885.719	672.271	11.240.017	-	14.418.802
Efek-efek yang dibeli dengan janji dijual kembali	-	-	-	464.945	-	-	464.945
Wesel Ekspor	-	443.636	412.930	578.098	-	-	1.434.664
Tagihan Akseptasi	-	1.140.704	1.197.324	263.900	-	-	2.601.928
Kredit yang diberikan kepada nasabah	-	9.567.359	17.989.857	35.539.500	4.560.344	-	67.657.060
Aset lain-lain – pendapatan yang masih akan diterima	-	558.313	-	-	-	-	558.313
Jumlah aset	10.301.204	21.515.824	21.485.830	37.518.714	15.800.361	-	106.621.933
Liabilitas							Liabilities
Simpanan dari nasabah	(40.363.113)	(20.046.153)	(3.079.050)	(1.803.079)	(177.862)	-	(65.469.257)
Simpanan dari bank-bank lain	(5.058.515)	-	-	-	-	-	(5.058.515)
Utang akseptasi	-	(1.140.704)	(1.197.324)	(263.900)	-	-	(2.601.928)
Beban akrual dan provisi	-	(146.820)	-	-	-	-	(146.820)
Liabilitas lain-lain	(770.011)	-	-	-	-	-	(770.011)
Pinjaman yang diterima	-	-	-	(2.082.375)	(12.980.138)	-	(15.062.513)
Pinjaman subordinasi	-	-	-	-	(1.041.188)	-	(1.041.188)
Jumlah liabilitas	(46.191.639)	(21.333.677)	(4.276.374)	(4.149.354)	(13.158.000)	(1.041.188)	(90.150.232)
Selisih	(35.890.435)	182.147	17.209.456	33.369.360	2.642.361	(1.041.188)	16.471.701

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	-	-	-	-	-	654.061
Giro pada Bank Indonesia	7.777.923	-	-	-	-	-	7.777.923
Giro pada bank-bank lain	1.996.602	-	-	-	-	-	1.996.602
Penempatan pada Bank Indonesia	-	349.898	-	-	-	-	349.898
Penempatan pada bank-bank lain	-	7.456.720	50.812	-	-	-	7.507.532
Efek-efek untuk tujuan investasi	-	1.496.278	1.869.217	5.714.022	3.520.300	-	12.599.817
Efek-efek yang dibeli dengan janji dijual kembali	-	426.130	256.626	411.171	-	-	1.093.927
Wesel Ekspor	-	620.815	380.288	80.856	-	-	1.081.959
Tagihan Akseptasi	-	1.175.951	890.558	339.131	-	-	2.405.640
Kredit yang diberikan kepada nasabah	-	11.054.501	16.705.706	35.600.830	4.230.752	883.511	68.475.300
Aset lain-lain – pendapatan yang masih akan diterima	-	550.708	-	-	-	-	550.708
Jumlah aset	10.428.586	23.131.001	20.153.207	42.146.010	7.751.052	883.511	104.493.367

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4. MANAJEMEN RISIKO KEUANGAN (lanjutan)**d. Risiko likuiditas (lanjutan)**Eksposur risiko likuiditas (lanjutan)

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
Liabilitas							Liabilities
Simpanan dari nasabah	(37.188.613)	(12.111.816)	(3.864.769)	(1.741.770)	-	-	(54.906.968)
Simpanan dari bank-bank lain	(8.776.773)	-	-	-	-	-	(8.776.773)
Utang akseptasi	-	(1.175.951)	(890.558)	(339.131)	-	-	(2.405.640)
Efek-efek yang dibeli dengan janji dijual kembali	-	(1.454.081)	-	-	-	-	(1.454.081)
Beban akrual dan provisi	-	(130.042)	-	-	-	-	(130.042)
Liabilitas lain-lain	(740.475)	-	-	-	-	-	(740.475)
Pinjaman yang diterima	-	-	-	(2.876.000)	(17.097.820)	-	(19.973.820)
Pinjaman subordinasi	-	-	-	-	-	(1.078.500)	(1.078.500)
Jumlah liabilitas	(46.705.861)	(14.871.890)	(4.755.327)	(4.956.901)	(17.097.820)	(1.078.500)	(89.466.299)
Selisih	(36.277.275)	8.259.111	15.397.880	37.189.109	(9.346.768)	(194.989)	15.027.068
							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 <i>First Line of Defence</i> 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 <i>Second Line of Defence</i> 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)

f. Manajemen modal

Modal yang diwajibkan regulator

Bank telah mematuhi semua persyaratan modal yang ditetapkan oleh pihak eksternal sepanjang periode pelaporan.

Rasio Kewajiban Penyediaan Modal Minimum (KPMM) pada tanggal 31 Desember 2019 dan 2018 adalah:

4. FINANCIAL RISK MANAGEMENT (continued)

f. Capital management

Regulatory capital

The Bank has complied with all externally imposed capital requirements throughout the reporting period.

The Capital Adequacy Ratio (CAR) as at 31 December 2019 and 2018 are as follows:

	Catatan/ Notes	2019	2018	
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	26.306	17.361	General reserve
Saldo laba		4.873.826	3.988.231	Retained earnings
Laba periode berjalan		2.311.291	894.540	Profit for the period
Penghasilan komprehensif lain		133.382	(62.943)	Other comprehensive income
Selisih kurang antara penyesisihan wajib dan cadangan kerugian penurunan nilai atas aset produktif		-	(122.214)	Negative differences between regulatory provision and allowance for impairment losses on productive assets
Penyesisihan Penghapusan Aset (PPA) atas aset non-produktif yang wajib dihitung		(42.815)	(22.455)	Non-earning asset provision that should be calculated
Perhitungan pajak tangguhan		(275.182)	(279.305)	Deferred tax calculation
Aset tidak berwujud lainnya		(137.065)	(178.041)	Other intangible assets
		<u>17.733.748</u>	<u>15.079.179</u>	
Modal tier 2				Tier 2 capital
Pinjaman subordinasi		1.041.188	1.078.500	Subordinated debt
Cadangan umum aset produktif		<u>892.537</u>	<u>900.680</u>	General allowance for earning assets
Jumlah modal		<u>19.667.473</u>	<u>17.058.359</u>	Total capital
Aset Tertimbang Menurut Risiko				Risk Weighted Asset
Risiko kredit		71.417.809	74.202.425	Credit risk
Risiko pasar		3.144.963	2.608.813	Market risk
Risiko operasional		<u>8.583.805</u>	<u>5.229.786</u>	Operational risk
Jumlah Aset Tertimbang Menurut Risiko		<u>83.146.577</u>	<u>82.041.024</u>	Total Risk Weighted Assets
Rasio Kewajiban Penyediaan Modal Minimum				Capital Adequacy Ratio
Rasio CET 1		23,65%	20,79%	CET 1 Ratio
Rasio tier 1		21,33%	18,38%	Tier 1 Ratio
Rasio tier 2		2,33%	2,41%	Tier 2 Ratio
Capital Conservation Buffer		2,50%	1,88%	Capital Conservation Buffer
Countercyclical Buffer		0,00%	0,00%	Countercyclical Buffer
Domestically Systemically Important Bank		1,00%	0,75%	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 2019 dengan menggunakan peringkat profil risiko posisi Juni 2019.

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 2019, KPMM Bank berada pada level di atas modal minimum yang diwajibkan tersebut, yaitu sebesar 23,65%.

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 2019 by using June 2019 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 2019, the Bank's CAR was 23.65%, 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 3p.

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 3p.

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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.

**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 kuotasi (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 kuotasi untuk instrumen serupa dalam pasar aktif atau harga kuotasi 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.

**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:

2019						
	Catatan/ Notes	Level 1	Level 2	Level 3	Jumlah/ Total	
Aset keuangan dalam kelompok diperdagangkan	11	-	2.863.738	-	2.863.738	Financial assets held for trading
Tagihan derivatif	12	1.342	430.789	44.600	476.731	Derivative receivables
Efek-efek untuk tujuan investasi	10	-	14.418.802	-	14.418.802	Investment securities
		<u>1.342</u>	<u>17.713.329</u>	<u>44.600</u>	<u>17.759.271</u>	
Liabilitas derivatif	12	<u>(1.727)</u>	<u>(438.607)</u>	<u>(33.207)</u>	<u>(473.541)</u>	Derivative payables
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
		<u>6.393</u>	<u>16.024.559</u>	<u>14.506</u>	<u>16.045.458</u>	
Liabilitas derivatif	12	<u>(13.763)</u>	<u>(783.845)</u>	<u>(26.590)</u>	<u>(824.198)</u>	Derivative payables

**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:

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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 2019:

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables
2019			
Saldo 1 Januari	-	14.506	26.590
Laba/(rugi) diakui:			
- Dalam laba rugi	-	41.213	14.626
- Dalam laba rugi dari posisi penyelesaian	-	(1.713)	(72)
Pembelian	-	-	-
Penyelesaian dan penjualan	-	-	-
Transfer ke level 3	-	-	-
Transfer dari level 3	-	(8.894)	(6.998)
Efek kurs	-	(512)	(939)
Saldo 31 Desember	<u>-</u>	<u>44.600</u>	<u>33.207</u>

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
2019			
Total laba selama periode yang termasuk dalam laba rugi:			
Pendapatan/(rugi) bersih transaksi perdagangan	-	41.213	(14.626)
Total laba selama periode yang termasuk dalam laba rugi atas aset dan liabilitas yang dimiliki pada akhir tahun pelaporan:			
Pendapatan bersih transaksi perdagangan	-	30.606	7.557

**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 2019:

2019	
Balance at 1 January	
Total gains/(losses):	
In profit or loss -	
In profit or loss -	
from positions settled	
Purchases	
Settlement and sales	
Transfer into level 3	
Transfer from level 3	
Exchange rate difference	
Balance at 31 December	

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:

2019	
Total gains for the end of the reporting period:	
Net trading income/(loss)	
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	

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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 2018:

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables
2018			
Saldo 1 Januari	126.870	6.127	5.173
Laba/(rugi) diakui:			
- Dalam laba rugi	-	635	21.145
- Dalam laba rugi dari posisi penyelesaian	1.065	-	-
Pembelian	48.345	-	-
Penyelesaian dan penjualan	(184.017)	-	-
Transfer ke level 3	-	10.098	40
Transfer dari level 3	-	(2.719)	(80)
Efek kurs	7.737	365	312
Saldo 31 Desember	-	14.506	26.590

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
2018			
Total laba selama periode yang termasuk dalam laba rugi:			
Pendapatan/(rugi) bersih transaksi perdagangan	-	635	(21.145)
Total laba selama periode yang termasuk dalam laba rugi atas aset dan liabilitas yang dimiliki pada akhir tahun pelaporan:			
Pendapatan bersih transaksi perdagangan	-	8.014	21.104

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.

**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 2018:

	2018
Balance at 1 January	
Total gains/(losses):	
In profit or loss -	
In profit or loss -	
from positions settled	
Purchases	
Settlement and sales	
Transfer into level 3	
Transfer from level 3	
Exchange rate difference	
Balance at 31 December	

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:

	2018
Total gains for the end of the reporting period:	
Net trading income/(loss)	
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	

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.

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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 tidak diukur pada nilai wajar

Pada 31 Desember 2019 dan 2018, 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.

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.1. Valuation of financial instruments
(continued)**
Financial instruments not measured at fair values

As of 31 December 2019 and 2018, 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.

The fair value of financial instruments not measured at fair value are explained in Note 25.

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

	2019	2018
Rupiah	454.727	433.271
Valuta asing	241.554	220.790
Jumlah	696.281	654.061

Saldo kas dalam mata uang Rupiah termasuk jumlah kas pada ATM masing-masing sebesar Rp 47.187 dan Rp 42.686 pada tanggal 31 Desember 2019 dan 2018.

6. CASH

Total cash in Rupiah currency included cash in ATMs amounting to Rp 47,187 and Rp 42,686 as of 31 December 2019 and 2018, respectively.

7. GIRO PADA BANK INDONESIA

	2019	2018
Rupiah	4.268.814	4.247.633
Valuta asing	3.074.974	3.530.290
Jumlah	7.343.788	7.777.923

Saldo giro pada Bank Indonesia disediakan untuk memenuhi persyaratan Giro Wajib Minimum (GWM) dari Bank Indonesia.

Giro Wajib Minimum (GWM) dalam mata uang Rupiah dan valuta asing pada tanggal 31 Desember 2019 dan 2018 adalah sebagai berikut:

	2019	2018
Rupiah		
- Giro Wajib Minimum *)	7,12%	9,40%
- Penyangga Likuiditas Makroprudensial **)	29,11%	33,57%
GWM valuta asing	8,12%	8,13%

7. DEMAND DEPOSIT WITH BANK INDONESIA

Demand deposits with Bank Indonesia are provided to fulfill Bank Indonesia's Minimum Statutory Reserves requirements (GWM).

The Minimum Statutory Reserves (GWM) in Rupiah and foreign currencies as at 31 December 2019 and 2018 are as follows:

Rupiah
Minimum Statutory Reserve *) -
Macprudential Liquidity Ratio **) -
Foreign currencies GWM

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7. GIRO PADA BANK INDONESIA (lanjutan)

GWM adalah jumlah dana minimum yang wajib dipelihara oleh Bank dalam bentuk saldo rekening giro pada Bank Indonesia, sedangkan Penyangga Likuiditas Makroprudensial (PLM) 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).

Pada tanggal 31 Desember 2019, GWM Bank telah sesuai dengan PBI No. 20/3/PBI/2018 tanggal 29 Maret 2018 dan Peraturan Anggota Dewan Gubernur No. 21/14/PADG/2019 tanggal 26 Juni 2019 tentang Perubahan Kedua atas Peraturan Anggota Dewan Gubernur No. 20/10/PADG/2018 tanggal 31 Mei 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 Juli 2019, dimana GWM Rupiah sebesar 6% serta valuta asing sebesar 8%. GWM Rupiah dipenuhi secara harian sebesar 3% dan secara rata-rata untuk masa laporan tertentu 3%.

GWM RIM adalah tambahan simpanan minimum yang wajib dipelihara oleh Bank dalam bentuk saldo Rekening Giro pada Bank Indonesia. Sesuai dengan perubahan terakhir PBI No. 20/4/PBI/2018 dan Peraturan Anggota Dewan Gubernur No. 21/22/PADG/2019 tanggal 28 November 2019, besaran dan parameter yang digunakan dalam perhitungan GWM RIM ditetapkan batas bawah RIM target 84% dan batas atas RIM target 94% serta KPMM insentif 14%. Batas atas RIM 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 RIM pada tanggal 31 Desember 2019 sebesar 0%.

Bank telah memenuhi Peraturan Bank Indonesia yang berlaku tentang GWM Bank Umum Konvensional pada tanggal 31 Desember 2019 dan 2018.

8. GIRO PADA BANK-BANK LAIN

	2019	2018
Rupiah	63.753	59.976
Valuta asing	2.197.382	1.936.626
Jumlah giro pada bank-bank lain	2.261.135	1.996.602

Pada tanggal 31 Desember 2019 dan 2018 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 2019 dan 2018.

7. DEMAND DEPOSIT WITH BANK INDONESIA (continued)

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) 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).

As of 31 December 2019, the Bank's Minimum Statutory Reserves complies with BI regulation No. 20/3/PBI/2018 dated 29 March 2018 and Governor Members Regulation No. 21/14/PADG/2019 dated 26 June 2019 regarding the second Amendment of Governor Members Regulation No. 20/10/PADG/2018 dated 31 May 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 July 2019, with Rupiah 6% and foreign currencies of 8%. Rupiah Statutory Reserves is fulfilled on a daily basis of 3% and an average basis for a certain reporting period of 3%.

RIM Statutory Reserve is the additional reserve that should be maintained by the Bank in the form of a Current account with Bank Indonesia. In accordance with the latest amendment in PBI No. 20/4/PBI/2018 and Governor Members Regulation No. 21/22/PADG/2019 dated 28 November 2019, the amount and parameters used for the LFR Statutory Reserve calculation is set at the minimum target of RIM at 84% and the maximum target of RIM at 94%, and incentive CAR at 14%. The maximum target of RIM of the Bank is 94%, if Bank has met lending ratio to Micro, Small and Medium Loan (UMKM) ratio faster than the requirement, total gross NPL ratio below 5%, and total gross NPL UMKM ratio below 5%. The GWM on RIM as of 31 December 2019 was 0%.

The Bank has fulfilled the prevailing Bank Indonesia's Regulation regarding GWM for Conventional Banks as at 31 December 2019 and 2018.

8. DEMAND DEPOSITS WITH OTHER BANKS

	2019	2018
Rupiah	63.753	59.976
Valuta asing	2.197.382	1.936.626
Jumlah giro pada bank-bank lain	2.261.135	1.996.602

As of 31 December 2019 and 2018, 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 2019 and 2018.

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9. PENEMPATAN PADA BANK-BANK LAIN

Penempatan pada bank-bank lain berdasarkan mata uang adalah sebagai berikut:

	<u>2019</u>	<u>2018</u>
Valuta asing	7.696.511	7.507.532
Jumlah penempatan pada bank-bank lain	<u>7.696.511</u>	<u>7.507.532</u>

Manajemen Bank berkeyakinan bahwa tidak ada penyisihan kerugian penurunan nilai penempatan pada bank-bank lain yang perlu diakui pada tanggal 31 Desember 2019 dan 2018.

9. PLACEMENTS WITH OTHER BANKS

Placements with other banks by currency were as follows:

	<u>2019</u>	<u>2018</u>
Foreign currencies	7.696.511	7.507.532
Total placements with other banks	<u>7.696.511</u>	<u>7.507.532</u>

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 2019 and 2018.

10. EFEK-EFEK UNTUK TUJUAN INVESTASI

Pada tanggal 31 Desember 2019 dan 2018, 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:

	<u>2019</u>	<u>2018</u>
Obligasi pemerintah	9.264.204	7.066.973
Sertifikat Bank Indonesia	2.779.643	1.240.443
Obligasi pemerintah - sukuk	2.374.955	190.259
Sertifikat Deposito Bank Indonesia	-	3.111.969
Surat Perbendaharaan Negara (SPN)	-	990.173
Jumlah	<u>14.418.802</u>	<u>12.599.817</u>

Pada tanggal 31 Desember 2019 dan 2018, 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 rugi/laba yang belum direalisasi dari perubahan nilai wajar efek-efek untuk tujuan investasi selama tahun yang berakhir tanggal 31 Desember 2019 dan 2018 adalah sebagai berikut:

	<u>2019</u>	<u>2018</u>
Saldo 1 Januari - sebelum pajak penghasilan tangguhan	(83.923)	71.665
Penambahan rugi/(laba) yang belum direalisasi selama tahun berjalan, bersih	<u>261.765</u>	<u>(155.588)</u>
Jumlah - sebelum pajak penghasilan tangguhan	177.842	(83.923)
Pajak penghasilan tangguhan (Catatan 32g)	<u>(44.461)</u>	<u>20.980</u>
Saldo 31 Desember - bersih	<u>133.381</u>	<u>(62.943)</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 2019 dan 2018.

10. INVESTMENT SECURITIES

As of 31 December 2019 and 2018, 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 are as follows:

	<u>2019</u>	<u>2018</u>
Government bonds	9.264.204	7.066.973
Certificates of Bank Indonesia	2.779.643	1.240.443
Government bonds - sukuk	2.374.955	190.259
Deposit Certificates of Bank Indonesia	-	3.111.969
Treasury bills	-	990.173
Total	<u>14.418.802</u>	<u>12.599.817</u>

As of 31 December 2019 and 2018, investment securities were all made with third parties.

Treasury bills held by the Bank are zero-coupon bonds issued by the Government of the 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 the sharia principle with fixed revenue sharing payment.

The movement of unrealised loss/gain from the change in fair value of investment securities during the years ended 31 December 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Balance - 1 January before deferred income tax	(83.923)	71.665
Addition of unrealised loss/(gain) during the year, net	<u>261.765</u>	<u>(155.588)</u>
Total - before deferred income tax	177.842	(83.923)
Deferred income tax (Note 32g)	<u>(44.461)</u>	<u>20.980</u>
Balance 31 December - net	<u>133.381</u>	<u>(62.943)</u>

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 2019 and 2018.

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11. ASET KEUANGAN DALAM KELOMPOK DIPERDAGANGKAN

Aset keuangan dalam kelompok diperdagangkan terdiri dari:

	2019	2018
Obligasi pemerintah	2.295.089	2.622.997
Obligasi pemerintah - sukuk	568.649	280.762
Jumlah	2.863.738	2.903.759

11. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading consist of the following:

Government bonds
Government bonds - sukuk
Total

12. TAGIHAN DAN LIABILITAS DERIVATIF

Tagihan dan liabilitas derivatif terdiri dari:

12. DERIVATIVE RECEIVABLES AND PAYABLES

Derivative receivables and payables consist of the following:

2019				
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	24.044.836	240.084	293.602	Currency forward contracts
Kontrak cross currency swap	5.486.172	131.463	79.560	Cross-currency swap contracts
Kontrak swap suku bunga	11.547.831	96.926	91.847	Interest rate swap contracts
Kontrak tunai valuta asing	2.402.788	3.382	4.246	Currency spot contracts
Kontrak currency option	640.719	4.876	4.286	Currency option contracts
		476.731	473.541	
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	

Manajemen Bank berkeyakinan bahwa tidak ada penyisihan kerugian penurunan nilai tagihan derivatif yang perlu diakui pada tanggal 31 Desember 2019 dan 2018.

The Bank's management believes that there was no allowance for impairment losses on derivative receivables to be recognised as of 31 December 2019 and 2018.

13. TAGIHAN DAN UTANG AKSEPTASI

	2019	
	Tagihan akseptasi/ Acceptance receivables	Utang akseptasi/ Acceptance payables
Rupiah	1.093.157	(1.093.157)
Valuta asing	1.508.771	(1.508.771)
Jumlah	2.601.928	(2.601.928)

13. ACCEPTANCE RECEIVABLES AND PAYABLES

2018	
Tagihan akseptasi/ Acceptance receivables	Utang akseptasi/ Acceptance payables
782.656	(782.656)
1.622.984	(1.622.984)
2.405.640	(2.405.640)

Rupiah
Foreign currencies

Total

Pada tanggal 31 Desember 2019 dan 2018, manajemen Bank berkeyakinan bahwa tidak ada penyisihan kerugian nilai atas tagihan akseptasi yang perlu diakui.

As of 31 December 2019 and 2018, 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

	2019	2018
Rupiah		
Modal kerja	25.039.245	23.606.912
Konsumsi	3.908.581	4.030.424
Investasi	3.441.247	2.879.911
Karyawan	758.710	773.374
Jumlah - Rupiah	33.147.783	31.290.621
Valuta asing		
Modal kerja	28.916.191	30.621.361
Investasi	5.568.121	6.548.152
Konsumsi	24.965	15.166
Jumlah - valuta asing	34.509.277	37.184.679
Jumlah kredit yang diberikan kepada nasabah	67.657.060	68.475.300
Penyisihan kerugian penurunan nilai	(2.123.183)	(2.131.328)
Jumlah kredit yang diberikan kepada nasabah - bersih	65.533.877	66.343.972

b. Berdasarkan sektor ekonomi

	2019	2018
Rupiah		
Perindustrian	9.038.809	8.422.463
Perdagangan, restoran dan hotel	7.941.189	7.943.160
Jasa-jasa usaha	4.706.503	4.027.948
Konstruksi	4.123.410	3.837.311
Pengangkutan, pergudangan dan jasa komunikasi	2.198.124	1.803.479
Pertanian, perkebunan dan sarana perkebunan	379.035	399.840
Jasa-jasa sosial dan masyarakat	88.884	46.586
Listrik, gas dan air	4.163	2.505
Pertambangan	375	3.531
Lainnya	4.667.291	4.803.798
Jumlah - Rupiah	33.147.783	31.290.621
Valuta asing		
Perindustrian	18.576.706	20.134.043
Perdagangan, restoran dan hotel	4.854.423	5.738.156
Pertambangan	4.042.383	3.200.693
Jasa-jasa usaha	3.596.684	4.022.339
Pengangkutan, pergudangan dan jasa komunikasi	2.365.070	3.071.219
Pertanian, perkebunan dan sarana perkebunan	1.008.045	683.939
Konstruksi	40.463	49.912
Jasa-jasa sosial dan masyarakat	538	269.212
Lainnya	24.965	15.166
Jumlah - valuta asing	34.509.277	37.184.679
Jumlah kredit yang diberikan kepada nasabah	67.657.060	68.475.300
Penyisihan kerugian penurunan nilai	(2.123.183)	(2.131.328)
Jumlah kredit yang diberikan nasabah - bersih	65.533.877	66.343.972

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
Electricity, gas and water
Mining
Others
Total - Rupiah
Foreign currencies
Industry
Trading, restaurant and hotel
Mining
Business services
Transportation, warehousing and communication
Agriculture, plantation and plantation improvement
Construction
Social and public services
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

	2019	2018	
Rupiah			Rupiah
Lancar	31.735.365	29.295.977	Pass
Dalam perhatian khusus	419.406	697.235	Special mention
Kurang lancar	42.913	224.481	Substandard
Diragukan	101.419	99.432	Doubtful
Macet	848.680	973.496	Loss
Jumlah - Rupiah	33.147.783	31.290.621	Total - Rupiah
Valuta asing			Foreign currencies
Lancar	32.996.601	35.295.969	Pass
Dalam perhatian khusus	801.246	1.460.585	Special mention
Kurang lancar	39.499	88.103	Substandard
Diragukan	263.486	189.052	Doubtful
Macet	408.445	150.970	Loss
Jumlah - valuta asing	34.509.277	37.184.679	Total - foreign currencies
Jumlah kredit yang diberikan kepada nasabah	67.657.060	68.475.300	Total loans to customers
Penyisihan kerugian penurunan nilai	(2.123.183)	(2.131.328)	Allowance for impairment losses
Jumlah kredit yang diberikan kepada nasabah - bersih	65.533.877	66.343.972	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 vehicle 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% pada tanggal 31 Desember 2019 dan 2018.

- 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% as of 31 December 2019 and 2018.

- f.** Selama tahun yang berakhir tanggal 31 Desember 2019 dan 2018, Bank melakukan negosiasi kembali kredit dengan perpanjangan jangka waktu.

- f.** For the years ended 31 December 2019 and 2018, the Bank renegotiated loans through the extension of the period.

Berdasarkan jenis kredit:

By type of loans:

	2019	2018	
Investasi	422.574	632.729	Investment
Modal kerja	312.754	231.286	Working capital
Konsumsi	38.429	40.081	Consumer
	773.757	904.096	
Penyisihan kerugian penurunan nilai	(266.653)	(311.657)	Allowance for impairment losses
Jumlah kredit yang telah dinegosiasikan kembali - bersih	507.104	592.439	Total of renegotiated loans - net

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14. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)

- f. Selama tahun yang berakhir tanggal 31 Desember 2019 dan 2018, Bank melakukan negosiasi kembali kredit dengan perpanjangan jangka waktu. (lanjutan)

Berdasarkan klasifikasi Bank Indonesia:

	2019	2018
Lancar	28.560	157.428
Dalam perhatian khusus	98.148	269.411
Kurang lancar	60.227	90.906
Diragukan	16.165	59.780
Macet	570.657	326.571
	773.757	904.096
Penyisihan kerugian penurunan nilai	(266.653)	(311.657)
Jumlah kredit yang telah dinegosiasikan kembali - bersih	507.104	592.439

- g. Pada tanggal 31 Desember 2019 dan 2018, Bank telah memenuhi ketentuan Batas Maksimum Pemberian Kredit (BMPK), baik untuk pihak berelasi maupun untuk pihak ketiga.
- h. Pada tanggal 31 Desember 2019 dan 2018, rincian kredit bermasalah menurut sektor ekonomi adalah sebagai berikut:

	2019		2018	
	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	858.946	(369.301)	785.454	(435.691)
Perdagangan, restoran dan hotel	620.930	(411.134)	622.721	(323.967)
Jasa-jasa usaha	57.761	(5.526)	84.923	(18.958)
Konstruksi	45.898	(36.388)	84.685	(51.363)
Pengangkutan	30.575	(12.078)	39.082	(10.939)
Pertanian	15.968	(14.185)	16.463	(10.205)
Pertambangan	374	(198)	2.534	(1.779)
Lainnya	73.990	(31.822)	89.672	(36.579)
Jumlah	1.704.442	(880.632)	1.725.534	(889.481)

- i. Rasio *Non-Performing Loan* (NPL) pada tanggal 31 Desember 2019 dan 2018 masing-masing adalah sebagai berikut:

	2019	2018
NPL bruto	2,52%	2,52%
NPL neto	1,22%	1,22%

- j. Pada tanggal 31 Desember 2019 dan 2018, kredit yang diberikan yang dijamin dengan jaminan tunai sebesar Rp 5.411.515 dan Rp 6.822.227 (Catatan 16).

14. LOANS TO CUSTOMERS (continued)

- f. For the years ended 31 December 2019 and 2018, the Bank renegotiated loans through the extension of the period. (continued)

By Bank Indonesia classification:

Pass
Special mention
Substandard
Doubtful
Loss

Allowance for impairment losses

Total of renegotiated loans - net

- g. As of 31 December 2019 and 2018, the Bank complied with Legal Lending Limit (LLL) requirements for both related parties and third parties.
- h. As of 31 December 2019 and 2018, details of impaired loans based on economic sector are as follows:

Industry
Trading, restaurant and hotel
Business services
Construction
Transportation
Agriculture
Mining
Others
Total

- i. As of 31 December 2019 and 2018, the *Non-Performing Loan* (NPL) ratios are as follows:

Gross NPL
Net NPL

- j. As of 31 December 2019 and 2018, loans collateralised by cash collateral amounted to Rp 5,411,515 and Rp 6,822,227 (Note 16).

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**14. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)**

- k. Perubahan penyisihan kerugian penurunan nilai kredit yang diberikan kepada nasabah adalah sebagai berikut:

14. LOANS TO CUSTOMERS (continued)

- k. The movement of allowance for impairment losses on loans to customers are as follows:

	2019			
	Rupiah	Valuta asing/ Foreign currencies	Jumlah/ Total	
Penyisihan kerugian penurunan nilai kolektif:				Collective allowance for impairment losses:
Saldo, 1 Januari 2019		386.049	811.782	Balance, 1 January 2019
Penambahan penyisihan	425.733	(18.522)	111.210	Additions of the allowance
Efek diskonto	(197)	-	(197)	Effect of discounting
Penghapusan kredit	(257.405)	-	(257.405)	Write-offs
Penerimaan atas kredit yang telah dihapusbukukan	100.480	-	100.480	Recovery of loans previously written-off
Selisih kurs	-	(11.926)	(11.926)	Exchange rate difference
Saldo, 31 Desember 2019	398.343	355.601	753.944	Balance, 31 December 2019
Penyisihan kerugian penurunan nilai spesifik:				Specific allowance for impairment losses:
Saldo, 1 Januari 2019	920.539	399.007	1.319.546	Balance, 1 January 2019
Penambahan penyisihan	43.741	516.209	559.950	Additions of the allowance
Efek diskonto	(49.987)	(39.371)	(89.358)	Effect of discounting
Penghapusan kredit	(356.036)	(29.791)	(385.827)	Write-offs
Penerimaan atas kredit yang telah dihapusbukukan	1.472	-	1.472	Recovery of loans previously written-off
Selisih kurs	-	(36.544)	(36.544)	Exchange rate difference
Saldo, 31 Desember 2019	559.729	809.510	1.369.239	Balance, 31 December 2019
Jumlah penyisihan kerugian penurunan nilai	958.072	1.165.111	2.123.183	Total allowance for impairment losses
	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

Manajemen Bank berkeyakinan bahwa penyisihan kerugian penurunan nilai yang dibentuk adalah cukup untuk menutupi kemungkinan penurunan nilai kredit yang diberikan kepada nasabah.

The Bank's management believes that the allowance for impairment losses provided is adequate to cover any possible impairment on loans to customers.

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15. ASET LAIN-LAIN

Pada tanggal 31 Desember 2019 dan 2018, aset lain-lain Bank adalah sebagai berikut:

	<u>2019</u>	<u>2018</u>
Pajak dibayar dimuka (lihat Catatan 32a)	1.404.507	648.152
Transaksi dalam proses penyelesaian	662.699	319.396
Pendapatan yang masih akan diterima	599.967	651.447
Aset hak-guna - setelah dikurangi akumulasi penyusutan sebesar Rp 104.073 pada 31 Desember 2019	436.898	-
Aset yang dimiliki untuk dijual	142.280	154.317
Jaminan setoran	49.884	36.860
Beban dibayar dimuka	27.886	134.831
Uang muka	16.707	114.466
Lainnya	110.240	517.961
Jumlah	<u>3.451.068</u>	<u>2.577.430</u>

15. OTHER ASSETS

As of 31 December 2019 and 2018, Bank's other assets are as follows:

Prepaid tax (refer to Note 32a)	
Transaction in process of settlement	
Accrued income	
Right-of-use assets - net of accumulated depreciation of Rp 104,073 on 31 December 2019	
Assets held for sale	
Security deposits	
Prepayments	
Advances	
Others	
Total	

16. SIMPANAN DARI NASABAH

Simpanan dari nasabah pada tanggal 31 Desember 2019 dan 2018 terdiri dari:

	<u>2019</u>	<u>2018</u>
Rupiah		
Giro	18.053.679	15.444.314
Tabungan	4.757.848	4.839.738
Deposito berjangka dan <i>deposits on call</i>	<u>20.383.985</u>	<u>13.551.510</u>
	<u>43.195.512</u>	<u>33.835.562</u>
Valuta asing		
Giro	9.910.531	9.517.032
Tabungan	7.641.063	7.387.529
Deposito berjangka dan <i>deposits on call</i>	<u>4.722.151</u>	<u>4.166.845</u>
	<u>22.273.745</u>	<u>21.071.406</u>
Jumlah	<u>65.469.257</u>	<u>54.906.968</u>

16. DEPOSITS FROM CUSTOMERS

Deposits from customers as of 31 December 2019 and 2018 consisted of the following:

Rupiah	
Demand deposits	
Saving accounts	
Time deposits and deposits on call	
Foreign currencies	
Demand deposits	
Saving accounts	
Time deposits and deposits on call	

Pada tanggal 31 Desember 2019 dan 2018, termasuk di dalam simpanan dari nasabah adalah jaminan untuk kredit yang diberikan kepada nasabah masing-masing sebesar Rp 1.683.679 dan Rp 1.236.043.

As of 31 December 2019 and 2018, included in deposits from customers are collaterals for loans to customers amounted Rp 1,683,679 and Rp 1,236,043, respectively.

17. SIMPANAN DARI BANK - BANK LAIN

Simpanan dari bank-bank lain pada tanggal 31 Desember 2019 dan 2018 terdiri dari:

	<u>2019</u>	<u>2018</u>
Rupiah		
Giro	3.599.982	6.866.438
Deposito berjangka	<u>1.435.000</u>	<u>1.900.000</u>
	<u>5.034.982</u>	<u>8.766.438</u>
Valuta asing		
Giro	<u>23.533</u>	<u>10.335</u>
Jumlah	<u>5.058.515</u>	<u>8.776.773</u>

17. DEPOSITS FROM OTHER BANKS

Deposits from other banks as at 31 December 2019 and 2018 consisted of the following:

Rupiah	
Demand deposits	
Time deposits	
Foreign currencies	
Demand deposits	

18. BEBAN AKRUAL DAN PROVISI

	<u>2019</u>	<u>2018</u>
Beban yang masih harus dibayar	336.542	614.786
Bunga yang masih harus dibayar	146.820	130.042
Provisi pemutusan hubungan kerja (Catatan 3t.4)	<u>19.308</u>	<u>-</u>
Jumlah	<u>502.670</u>	<u>744.828</u>

18. ACCRUALS AND PROVISIONS

Accrued expenses	
Accrued interest expenses	
Termination provisions (Note 3t.4)	

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19. LIABILITAS LAIN-LAIN

	2019
Uang jaminan	731.486
Transaksi dalam proses penyelesaian	601.088
Pendapatan ditangguhkan	434.512
Liabilitas sewa	372.374
Rekening <i>suspense</i>	363.068
Utang pajak lainnya	259.231
Transfer, inkaso, dan kliring	38.525
Lainnya	184.596
Jumlah	<u>2.984.880</u>

Uang jaminan termasuk uang yang diberikan oleh nasabah kepada Bank sebagai jaminan atas L/C impor masing-masing sebesar Rp 729.922 dan Rp 697.672 pada tanggal 31 Desember 2019 dan 2018.

19. OTHER LIABILITIES

	2018	
	699.307	Security deposits
	379.292	Transaction in process of settlement
	450.172	Deferred income
	-	Lease liability
	373.913	Suspense accounts
	164.965	Other tax liabilities
	41.168	Transfers, collection and clearing
	492.281	Others
Jumlah	<u>2.601.098</u>	Total

The security deposits included deposits from customers for and import L/C of Rp 729,922 and Rp 697,672 as of 31 December 2019 and 2018, 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 2019 dan 2018, saham yang masih beredar masing-masing sejumlah 165.673 (dalam nilai penuh) dan 328.772 (dalam nilai penuh) lembar.

Selama tahun yang berakhir 31 Desember 2019 dan 2018, Bank mengakui beban masing-masing sebesar Rp 17.632 dan Rp 34.096 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 2019 dan 2018 masing-masing senilai Rp 112.973 dan Rp 128.021 (dalam Rupiah penuh).

20. SHARE-BASED PAYMENT

The Bank has no specific share-based compensation plan of its own and participates in the HSBC group share plan. The plan is made to certain employees with no associated with performance conditions. Shares are released to employees over three years in equal portion for each year, provided the employees remain continuously employed within the HSBC group during the vesting period.

As of 31 December 2019 and 2018, the outstanding number of shares was 165,673 (in full amount) and 328,772 (in full amount), respectively.

During the year ended 31 December 2019 and 2018, the Bank recognised an expense of Rp 17,632 and Rp 34,096, 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 2019 and 2018 was Rp 112,973 and Rp 128,021, respectively (in Rupiah full amount).

21. LIABILITAS IMBALAN PASCA-KERJA

Liabilitas imbalan kerja pada tanggal 31 Desember 2019 dan 2018 terdiri dari:

	2019
Liabilitas imbalan kerja jangka pendek	219.433
Liabilitas imbalan pasca-kerja	310.113
Liabilitas imbalan kerja	<u>529.546</u>

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.

21. POST-EMPLOYMENT BENEFITS OBLIGATION

Employee benefits obligation as of 31 December 2019 and 2018 consisted of the following:

	2018	
	236.254	Short-term employee benefits obligations
	301.850	Post-employment benefits obligations
Liabilitas imbalan kerja	<u>538.104</u>	Employee benefits obligations

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 of a pension plan is computed based on a 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 an expense for DPLK allowance. In relation to the changes in pension plan, the bank recognised settlement gain amounting to Rp 106,809 which was directly recognised in the statements of profit and loss for the year.

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21. LIABILITAS IMBALAN PASCA-KERJA (lanjutan)

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 2019 dan 2018, 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 2019 dan 2018:

21. POST-EMPLOYMENT BENEFITS OBLIGATION (continued)

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 2019 and 2018, and movement in obligation and expenses recognised in the statements of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2018:

	2019	2018	
Nilai kini liabilitas pada awal tahun	301.850	301.628	Present value of obligation at the beginning of year
Biaya jasa kini	34.106	34.778	Current service cost
Biaya jasa lalu	(17.457)	-	Past service cost
Keuntungan atas penyelesaian	(20.953)	-	Settlement gain
Biaya bunga	22.785	17.668	Interest cost
Kerugian/(keuntungan) aktuarial	37.414	(17.696)	Actuarial loss/(gain)
Biaya Manfaat Terminasi	11.496	-	Termination Benefits Expense
Imbalan yang dibayar	(59.128)	(34.528)	Benefits paid
Liabilitas imbalan pasca-kerja	<u>310.113</u>	<u>301.850</u>	Post-employment benefits obligation
Biaya jasa kini	34.106	34.778	Current service cost
Biaya jasa lalu - amandemen program	4.559	-	Past service cost - program amendment
Keuntungan jasa lalu - kurtailmen	(22.016)	-	Past service credit - curtailment
Keuntungan atas penyelesaian	(20.953)	-	Settlement gain
Biaya bunga	22.785	17.668	Interest cost
Biaya Manfaat Terminasi	11.496	-	Termination benefits expense
Jumlah beban yang diakui	<u>29.977</u>	<u>52.446</u>	Total recognised cost
	2019	2018	
Liabilitas imbalan pasca-kerja, 1 Januari	301.850	301.628	Post-employment benefits obligation, 1 January
Beban imbalan pasca-kerja tahun berjalan	29.977	52.446	Post-employment benefits expense for the year
Kerugian/(keuntungan) aktuarial tahun berjalan	37.414	(17.696)	Actuarial loss/(gain) during the year
Pembayaran imbalan pasca-kerja selama tahun berjalan	(59.128)	(34.528)	Payments of post-employment benefits during the year
Liabilitas imbalan pasca-kerja, 31 Desember	<u>310.113</u>	<u>301.850</u>	Post-employment benefits obligation, 31 December

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21. LIABILITAS IMBALAN PASCA-KERJA (lanjutan)

Perhitungan liabilitas imbalan pasca-kerja pada tanggal 31 Desember 2019 dan 2018 dilakukan berdasarkan laporan aktuaris independen (PT Towers Watson Purbajaga) tanggal 3 Maret 2020 dengan menggunakan asumsi utama sebagai berikut:

	2019
Tingkat diskonto	6,75%
Kenaikan gaji	6,50%
Metode aktuarial	Projected unit credit
Umur pensiun normal	55 tahun/years
Tingkat kematian	Tabel Mortalitas Indonesia 2011 (TMI 2011)/ Indonesian Mortality Table 2011 (TMI 2011)
Tingkat cacat	10% dari TMI 2011/ 10% of TMI 2011
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

Tabel-tabel dibawah menunjukkan sensitivitas atas kemungkinan perubahan tingkat kenaikan gaji dan tingkat diskonto terhadap kewajiban imbalan pasca kerja pada 31 Desember 2019 dan 2018:

	2019	
	Peningkatan/ Increase by 100 bps	Penurunan/ Decrease by 100 bps
Tingkat diskonto	(15.272)	16.742
Kenaikan gaji	36.583	(27.958)

Durasi rata-rata tertimbang dari liabilitas program pensiun imbalan pasti pada tanggal 31 Desember 2019 dan 2018 masing-masing adalah 5,33 tahun dan 5,24 tahun.

Analisis jatuh tempo tidak terdiskonto yang diharapkan dari manfaat pensiun adalah sebagai berikut:

	2019
Dalam 10 tahun kedepan	527.192
Dalam 10 sampai 20 tahun kedepan	373.878
Dalam 20 sampai 30 tahun kedepan	43.487
Dalam 30 sampai 40 tahun kedepan	66

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.

Pada tanggal 22 Mei 2009, terjadi penutupan transaksi penjualan dan pembelian saham sehingga akuisisi tersebut menjadi efektif.

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.

21. POST-EMPLOYMENT BENEFITS OBLIGATION (continued)

The calculation of post-employment benefits obligation as of 31 December 2019 and 2018 was done based on the independent actuary report (PT Towers Watson Purbajaga) dated 3 March 2020 using major assumptions as follows:

	2018	
Tingkat diskonto	8,00%	Discount rates
Kenaikan gaji	6,50%	Salary increases
Metode aktuarial	Projected unit credit	Valuation cost method
Umur pensiun normal	55 tahun/years	Normal retirement age
Tingkat kematian	Tabel Mortalitas Indonesia 2011 (TMI 2011)/ Indonesian Mortality Table 2011 (TMI 2011)	Mortality rates
Tingkat cacat	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	Resignation rates

The following tables represent the sensitivity analysis of a reasonably possible change in salary increase and discount rate of obligation to post-employment benefit obligation as of 31 December 2019 and 2018:

	2018		
	Peningkatan/ Increase by 100 bps	Penurunan/ Decrease by 100 bps	
Tingkat diskonto	(14.453)	15.807	Discount rates
Kenaikan gaji	34.973	(29.800)	Salary increases

The weighted average duration of the defined benefit pension obligation at 31 December 2019 and 2018 is 5.33 years and 5.24 years, respectively.

Undiscounted expected maturity analysis of pension benefits are as follows:

	2018	
Dalam 10 tahun kedepan	545.522	Within next 10 years
Dalam 10 sampai 20 tahun kedepan	374.970	Within next 10 to 20 years
Dalam 20 sampai 30 tahun kedepan	48.503	Within next 20 to 30 years
Dalam 30 sampai 40 tahun kedepan	163	Within next 30 to 40 years

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 the closing of the transaction.

On 22 May 2009, the shares sale and purchase transactions were completed and thus, the acquisition became effective.

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 of the Bank 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 the 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 increase in shared capital was performed by issuing new shares by 1,319,394,997 (in full amount) shares with a 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 a nominal value of Rp 1,000 (in Rupiah full amount). The increase of share capital has been stated in a 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 to 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 2019 dan 2018 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	10.586.394.997	100,00%	10.586.395	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 2019 and 2018 are 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 2019 dan 2018 adalah sebagai berikut:

	Jumlah/ Total
Jumlah yang diterima dari penerbitan 270.000.000 lembar saham	291.600
Jumlah yang dicatat sebagai modal disetor	(27.000)
	264.600
Beban emisi saham	(6.990)
Jumlah yang dicatat sebagai tambahan modal disetor	257.610

23. ADDITIONAL PAID-IN CAPITAL – NET

The Bank issued 270,000,000 shares with a par value of Rp 100 (in Rupiah full amount) per share, through an initial public offering on 8 January 2008 with an 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 2019 and 2018 are as follows:

Proceeds from the issuance of 270,000,000 shares
Amount recorded as paid-in capital
Share issuance costs
Amount recorded as additional paid-in capital

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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 2019 saldo cadangan umum adalah Rp 26.306 (2018: Rp 17.361).

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.

Berdasarkan Rapat Umum Pemegang Saham Tahunan Bank yang dinyatakan dalam Akta dari Notaris Christina Dwi Utami, S.H., M.Hum., M.Kn., Nomor 289 tanggal 28 Mei 2019, para pemegang saham Bank menyetujui pembentukan cadangan umum sebesar Rp 8.945 dari saldo laba tahun 2018.

24. GENERAL AND LEGAL RESERVES

The general and legal reserve was provided in relation to the Law of Republic Indonesia No. 1/1995 which has been replaced with 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 2019, the amount of general reserves is Rp 26,306 (2018: Rp 17,361).

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., a notary public in Jakarta, the shareholders approved the appropriation of the Bank's 2017 retained earnings amounting to Rp 13,713.

Based on the Annual General Meeting of the Bank's Shareholders as stated in Notarial Deed No. 289 dated 28 May 2019 of Christina Dwi Utami, S.H., M.Hum., M.Kn., a notary public in Jakarta, the shareholders approved the appropriation of the Bank's 2018 retained earnings amounting to Rp 8,945.

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.

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 conditions 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 2019 dan 2018.

**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 2019 and 2018.

2019						
	Diperdagang- kan/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	-	696.281	-	-	696.281	Cash
Giro pada Bank Indonesia	-	7.343.788	-	-	7.343.788	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	-	2.261.135	-	-	2.261.135	Demand deposits with other banks
Penempatan pada Bank Indonesia	-	1.488.506	-	-	1.488.506	Placements with Bank Indonesia
Penempatan pada bank-bank lain	-	7.696.511	-	-	7.696.511	Placements with other banks
Efek-efek untuk tujuan investasi	-	-	14.418.802	-	14.418.802	Investment securities
Aset keuangan dalam kelompok diperdagangkan	2.863.738	-	-	-	2.863.738	Financial assets held for trading
Tagihan derivatif	476.731	-	-	-	476.731	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	464.945	-	-	464.945	Securities purchased with agreement to resell
Wesel Ekspor	-	1.434.664	-	-	1.434.664	Export Bills
Tagihan akseptasi	-	2.601.928	-	-	2.601.928	Acceptance receivables
Kredit yang diberikan kepada nasabah-bersih	-	65.533.877	-	-	65.533.877	Loans to customers-net
Aset lain-lain - pendapatan yang masih akan diterima	-	558.313	-	-	558.313	Other assets - accrued income
Jumlah	3.340.469	90.079.948	14.418.802	-	107.839.219	108.952.588
Liabilitas keuangan						Financial liabilities
Simpanan dari nasabah	-	-	-	(65.469.257)	(65.469.257)	Deposits from customers
Simpanan dari bank-bank lain	-	-	-	(5.058.515)	(5.058.515)	Deposits from other banks
Liabilitas derivatif	(473.541)	-	-	-	(473.541)	Derivative payables
Utang akseptasi	-	-	-	(2.601.928)	(2.601.928)	Acceptance payables
Efek-efek yang dijual dengan janji dibeli kembali	-	-	-	-	-	Securities sold with agreement to repurchase
Beban akrual dan provisi	-	-	-	(146.820)	(146.820)	Accruals and provisions
Liabilitas lain-lain ¹⁾	-	-	-	(770.011)	(770.011)	Other liabilities ¹⁾
Pinjaman yang diterima	-	-	-	(15.062.513)	(15.062.513)	Borrowings
Pinjaman subordinasi	-	-	-	(1.041.188)	(1.041.188)	Subordinated debt
Jumlah	(473.541)	-	-	(90.150.232)	(90.623.773)	(90.623.773)

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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**25. ASET KEUANGAN DAN LIABILITAS KEUANGAN
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Tabel di bawah menyajikan nilai tercatat dan nilai wajar aset dan liabilitas keuangan Bank pada tanggal 31 Desember 2019 dan 2018. (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 2019 and 2018. (continued)

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	654.061
Giro pada Bank Indonesia	-	7.777.923	-	-	7.777.923	7.777.923
Giro pada bank-bank lain	-	1.996.602	-	-	1.996.602	1.996.602
Penempatan pada Bank Indonesia	-	349.898	-	-	349.898	349.898
Penempatan pada bank-bank lain	-	7.507.532	-	-	7.507.532	7.507.532
Efek-efek untuk tujuan investasi	-	-	12.599.817	-	12.599.817	12.599.817
Aset keuangan dalam kelompok diperdagangkan	2.903.759	-	-	-	2.903.759	2.903.759
Tagihan derivatif	541.882	-	-	-	541.882	541.882
Efek-efek yang dibeli dengan janji dijual kembali	-	1.093.927	-	-	1.093.927	1.093.927
Wesel Ekspor	-	1.081.959	-	-	1.081.959	1.081.959
Tagihan akseptasi Kredit yang diberikan kepada nasabah-bersih	-	2.405.640	-	-	2.405.640	2.405.640
Aset lain-lain - pendapatan yang masih akan diterima	-	66.343.972	-	-	66.343.972	66.360.386
	-	550.708	-	-	550.708	550.708
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)	(54.906.968)
Simpanan dari bank-bank lain	-	-	-	(8.776.773)	(8.776.773)	(8.776.773)
Liabilitas derivatif	(824.198)	-	-	-	(824.198)	(824.198)
Utang akseptasi	-	-	-	(2.405.640)	(2.405.640)	(2.405.640)
Efek-efek yang dijual dengan janji dibeli kembali	-	-	-	(1.454.081)	(1.454.081)	(1.454.092)
Beban akrual dan provisi	-	-	-	(130.042)	(130.042)	(130.042)
Liabilitas lain-lain ¹⁾	-	-	-	(740.475)	(740.475)	(740.475)
Pinjaman yang diterima	-	-	-	(19.973.820)	(19.973.820)	(19.973.820)
Pinjaman subordinasi	-	-	-	(1.078.500)	(1.078.500)	(1.078.500)
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

Nilai wajar aset dan liabilitas yang diperdagangkan dan efek-efek untuk tujuan investasi pada tanggal 31 Desember 2019 dan 2018 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 2019 and 2018 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 2019 dan 2018.

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 2019 and 2018.

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
(lanjutan)**

Saling hapus

Pada 31 Desember 2019 dan 2018, 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 of 31 December 2019 and 2018, there is no financial assets and liabilities that are subject to offset 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

	2019	2018
Pendapatan bunga		
Kredit yang diberikan kepada nasabah	5.001.965	4.565.863
Efek-efek untuk tujuan investasi	893.676	999.251
Efek-efek yang dibeli dengan janji dijual kembali	58.103	131.990
Penempatan pada Bank Indonesia	40.972	61.410
Kredit yang diberikan dan penempatan pada bank	9.162	22.129
Giro pada Bank Indonesia	4.586	14.216
Giro pada bank-bank lain	4.149	420
Lain-lain	184.592	181.001
Jumlah	6.197.205	5.976.280
Beban bunga		
Simpanan		
Deposito berjangka dan <i>deposits on call</i>	(1.020.571)	(831.451)
Giro	(365.297)	(371.707)
Tabungan	(70.289)	(68.899)
Pinjaman yang diterima dan pinjaman subordinasi	(638.326)	(498.799)
Simpanan dari bank lain	(55.236)	(23.341)
Lainnya	(66.898)	(2.420)
Jumlah	(2.216.617)	(1.796.617)
Pendapatan bunga bersih	3.980.588	4.179.663

26. NET INTEREST INCOME

Interest income
Loans to customers
Investment securities
Securities purchased with agreement to resell
Placements with Bank Indonesia
Loans and advances to banks
Demand deposits with Bank Indonesia
Demand deposits with other banks
Others
Subtotal
Interest expenses
Deposits
Time deposits and deposits on call
Demand deposits
Saving accounts
Borrowings and subordinated debt
Deposit from other banks
Others
Subtotal
Net interest income

27. PENDAPATAN PROVISI DAN KOMISI BERSIH

	2019	2018
Pendapatan provisi dan komisi		
Kartu kredit	543.053	566.497
Unit trusts	204.313	223.530
Asuransi	190.680	238.435
Fasilitas kredit	181.770	135.781
Jasa kustodian	149.728	144.958
Ekspor/impor	141.585	170.907
Remittance	73.502	66.425
Account services	38.337	39.795
Lain-lain	429.040	335.599
Jumlah	1.952.008	1.921.927
Beban provisi dan komisi		
Kartu kredit	(406.835)	(331.128)
Scriptless kustodian	(37.700)	(35.876)
Remittance	(1.646)	(2.331)
Lain-lain	(193.538)	(151.307)
Jumlah	(639.719)	(520.642)
Pendapatan provisi dan komisi bersih	1.312.289	1.401.285

27. NET FEES AND COMMISSIONS INCOME

Fees and commissions income
Credit cards
Unit trusts
Insurance
Credit facilities
Custodial services
Export/import
Remittances
Account services
Others
Subtotal
Fees and commissions expenses
Credit card
Scriptless custodian
Remittance
Others
Subtotal
Net fees and commissions income

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**28. PENDAPATAN INSTRUMEN
DIPERDAGANGKAN - BERSIH**

YANG

28. TRADING INCOME - NET

	<u>2019</u>	<u>2018</u>	
Instrumen derivatif	780.189	648.785	Derivative instruments
Instrumen keuangan pendapatan tetap	559.329	289.930	Fixed income instruments
Jumlah	<u>1.339.518</u>	<u>938.715</u>	Total

**29. KERUGIAN PENURUNAN NILAI ASET KEUANGAN
- BERSIH**

**29. IMPAIRMENT LOSSES ON FINANCIAL ASSETS -
NET**

	<u>2019</u>	<u>2018</u>	
Kredit yang diberikan kepada nasabah	671.160	1.364.423	Loans to customers
Komitmen dan kontinjensi	-	(48.466)	Commitment and contingencies
Jumlah	<u>671.160</u>	<u>1.315.957</u>	Total

30. BEBAN KARYAWAN

30. EMPLOYEES EXPENSES

	<u>2019</u>	<u>2018</u>	
Gaji dan bonus	1.217.889	1.217.238	Salaries and bonuses
Tunjangan	335.893	314.920	Allowance
Tunjangan terkait pemutusan hubungan kerja	92.970	3.485	Termination benefit
Pelatihan	67.444	76.597	Training
Imbalan pasca-kerja (Catatan 21)	29.977	52.446	Post-employment benefits obligation (Note 21)
Lain-lain	<u>205.018</u>	<u>212.057</u>	Others
Jumlah	<u>1.949.191</u>	<u>1.876.743</u>	Total

31. BEBAN UMUM DAN ADMINISTRASI

31. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2019</u>	<u>2018</u>	
Komunikasi, listrik dan air	445.112	534.310	Communication and utilities
Sewa	117.594	273.108	Rent
Jasa profesional	93.689	113.783	Professional fees
Iklan dan promosi	71.939	102.884	Advertising and promotion
Pemeliharaan dan perbaikan	64.922	63.519	Repair and maintenance
Pungutan tahunan OJK perbankan	49.367	49.195	Bank annual FSA levy
Kebersihan dan keamanan	46.229	45.809	Security and cleaning
Alat tulis dan barang cetakan	14.123	25.054	Stationery and office supplies
Perjalanan dinas	19.487	18.259	Travelling
Asuransi	19.160	23.966	Insurance
Representasi	4.306	4.933	Representation
Jasa layanan kas	2.183	3.661	Cash service
Langganan/keanggotaan	1.864	1.814	Customer services/membership
Lain-lain	<u>162.213</u>	<u>544.624</u>	Others
Jumlah	<u>1.112.188</u>	<u>1.804.919</u>	

Ditahun 2018 beban umum dan administrasi lain-lain beban yang berkaitan dengan Surat Ketetapan Pajak Kurang Bayar (SKPKB) terkait dengan Pajak Pertambahan Nilai (PPN) masa April 2017 dan penaltiinya sebesar Rp 428.673 (Catatan 32n).

In 2018 general and administrative expenses - other included expenses related to Value Added Tax (VAT) Underpayment Assessment period April 2017 and its penalty amounted to Rp 428,673 (Note 32n).

32. PERPAJAKAN

32. TAXATION

a. Pajak dibayar dimuka terdiri dari:

a. Prepaid taxes consist of:

	<u>2019</u>	<u>2018</u>	
Pajak dibayar di muka sehubungan dengan pajak penghasilan badan yang lebih dibayar tahun 2019	60.019	-	Prepaid tax in relation with overpaid corporate income tax in 2019
Pajak dibayar di muka sehubungan dengan pajak penghasilan badan yang lebih dibayar tahun 2017	-	481.348	Prepaid tax in relation with overpaid corporate income tax in 2017
Pajak dibayar di muka sehubungan dengan pemeriksaan pajak (Catatan 32i - 32y)	<u>1.344.488</u>	<u>166.804</u>	Prepaid tax in relation with tax audit assessment (Note 32i - 32y)
	<u>1.404.507</u>	<u>648.152</u>	

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32. PERPAJAKAN (lanjutan)

b. Utang pajak penghasilan terdiri dari:

	2019	2018
Pajak penghasilan badan	-	1.220
Utang pajak lainnya disajikan dalam liabilitas lain-lain pada Catatan 19.		

c. Beban pajak terdiri dari:

	2019	2018
Pajak kini	724.934	453.766
Tambahan beban pajak kini tahun 2018 karena perbedaan perhitungan pajak sementara di laporan audit 2018 dengan SPT Badan tahun 2018	54.711	-
Pajak tangguhan		
Pembentukan dari perbedaan temporer	(56.506)	(82.707)
Tambahan beban pajak tangguhan tahun 2018 karena perbedaan perhitungan pajak sementara di laporan audit 2018 dengan SPT Badan tahun 2018	4.542	-
Surat Ketetapan Pajak	1.023	105
Jumlah	728.704	371.164

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.

e. Rekonsiliasi antara laba sebelum pajak menurut laporan laba rugi dengan laba kena pajak adalah sebagai berikut:

	2019	2018
Laba sebelum pajak	3.039.995	1.265.704
Perbedaan temporer:		
Liabilitas imbalan kerja jangka pendek	(16.654)	(149.375)
Penyisihan kerugian penurunan nilai aset keuangan	225.580	424.929
Beban imbalan pasca-kerja dan imbalan kerja lainnya	(9.842)	17.210
Penyusutan aset tetap dan amortisasi aset takberwujud	(864)	(26.003)
Lain-lain	27.804	64.069
	226.024	330.830
Perbedaan permanen:		
Rugi atas penerimaan yang sudah dikenakan penghasilan final	1.893	(116)
Penyusutan kendaraan non-operasional	2.616	1.324
Representasi, sumbangan dan denda	(399.464)	202.682
Lain-lain	28.675	14.641
	(366.280)	218.531
Laba kena pajak	2.899.739	1.815.065
Beban pajak kini	724.934	453.766
Pajak dibayar dimuka	(784.953)	(452.546)
Pajak penghasilan badan (dibayar dimuka)/ terutang	(60.019)	1.220

32. TAXATION (continued)

b. Income taxes payable consist of:

Corporate income tax
Other tax liabilities presented in other liabilities in Note 19.

c. Tax expense consisted of the following:

Current tax
Additional 2018 current tax expenses due to the differences between preliminary calculation in 2018 audit report and 2018 corporate tax return
Deferred tax
Origination of temporary differences
Additional 2018 deferred tax expenses due to the differences between preliminary calculation in 2018 audit report and 2018 corporate tax return
Tax Assessment Letter
Total

d. Under the Indonesian taxation laws, the Bank calculates and submits/pays tax returns on a self-assessment basis. The tax authorities may assess/amend taxes within the statute of limitations under prevailing regulations.

e. The reconciliation between profit before tax per statement of profit or loss and taxable income are as follows:

Profit before tax
Temporary differences:
Short-term employee benefits obligation
Allowance for impairment losses from financial assets
Post-employment and other benefits expense
Depreciation of fixed assets and amortisation of intangible assets
Others
Permanent differences:
Loss related to proceed subject to final income tax
Depreciation of non-operational vehicles
Representation, donations and penalties
Others

Taxable income
Current tax expense
Prepaid tax
Corporate income (prepaid tax)/tax payable

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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:

	2019	2018
Laba sebelum pajak	3.039.995	1.265.704
Tarif pajak yang berlaku	25%	25%
	759.998	316.426
Tambahan beban pajak tahun 2018 karena perbedaan perhitungan pajak sementara di laporan audit 2018 dengan SPT Badan tahun 2018 yang telah dilaporkan ke kantor pajak	59.253	-
Perbedaan permanen dengan tarif pajak 25%	(91.570)	54.633
Surat Ketetapan Pajak	1.023	105
Jumlah beban pajak	728.704	371.164

Dalam laporan keuangan ini jumlah penghasilan kena pajak didasarkan atas perhitungan sementara karena Bank belum menyampaikan surat pemberitahuan tahunan pajak penghasilan badan.

Terdapat tambahan beban pajak yang berasal dari perbedaan perhitungan pajak sementara antara laporan keuangan tahun 2018 dengan surat pemberitahuan tahunan pajak penghasilan badan tahun 2018 yang telah disampaikan ke kantor pajak.

- g. Rincian dari aset pajak tangguhan bersih Bank adalah sebagai berikut:

	31 Desember/ December 2018	Dampak perbedaan perhitungan pajak di laporan audit dengan SPT badan tahun 2018/ Impact on the calculation differences between audit report and tax return in 2018	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 2019
Aset pajak tangguhan:					
Penyisihan kerugian penurunan nilai aset keuangan	147.828	-	56.395	-	204.223
Penyusutan aset tetap dan amortisasi aset tak berwujud	(57.624)	-	(216)	-	(57.840)
Beban imbalan pasca-kerja dan imbalan kerja lainnya (Laba)/rugi belum direalisasi dari perubahan nilai wajar efek-efek untuk tujuan investasi	147.561	-	(6.624)	9.354	150.291
Lain-lain	20.980	-	-	(65.441)	(44.461)
	20.560	(4.542)	6.951	-	22.969
Aset pajak tangguhan - bersih	279.305	(4.542)	56.506	(56.087)	275.182

Income before tax
Applicable tax rate

Additional 2018 tax expenses due to the differences between preliminary calculation in 2018 audit report and 2018 submitted corporate tax return

Permanent differences at 25% rate
Tax Assessment Letter

Total tax expense

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.

There is an additional 2018 tax expense due to differences between preliminary calculation in the 2018 audit report and 2018 submitted corporate income tax return which has been submitted to the tax office.

- g. The details of the Bank's net deferred tax assets are as follows:

Deferred tax assets:
Allowance for impairment losses on financial assets
Depreciation of fixed assets and amortisation of intangible assets
Post-employment and other benefits
Unrealised (gain)/loss from changes in fair value of investment securities
Others

Deferred tax assets - net

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32. PERPAJAKAN (lanjutan)

- g. Rincian dari aset pajak tangguhan bersih Bank adalah sebagai berikut: (lanjutan)

	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:				
Penyisihan kerugian penurunan nilai aset keuangan	41.596	106.232	-	147.828
Penyusutan aset tetap dan amortisasi aset tak berwujud	(51.123)	(6.501)	-	(57.624)
Beban imbalan pasca-kerja dan imbalan kerja lainnya	185.026	(33.041)	(4.424)	147.561
Rugi/(laba) belum direalisasi dari perubahan nilai wajar efek-efek untuk tujuan investasi	(17.917)	-	38.897	20.980
Lain-lain	4.543	16.017	-	20.560
Aset pajak tangguhan - bersih	<u>162.125</u>	<u>82.707</u>	<u>34.473</u>	<u>279.305</u>

- h. Manajemen berpendapat bahwa aset pajak tangguhan yang timbul dari perbedaan temporer kemungkinan besar dapat direalisasi pada tahun mendatang.

- i. Pada tanggal 10 Desember 2015, Kantor Pelayanan Pajak Wajib Pajak Besar Satu (KPP WPB I) menerbitkan Surat Ketetapan Pajak Kurang Bayar (SKPKB) Pajak Penghasilan (PPH) Badan Tahun Pajak 2010 senilai Rp 9.735. Bank melakukan pembayaran sebagian sebesar Rp 311 dan mencatatnya sebagai pajak dibayar di muka. Pada tanggal 8 Maret 2016, Bank kemudian mengajukan keberatan atas SKPKB PPh Badan.

Pada tanggal 10 Februari 2017, Direktur Jenderal Pajak (DJP) menerbitkan Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2010 yang mengabulkan sebagian kecil keberatan Wajib Pajak sebesar Rp 3 sehingga jumlah sengketa pajak menjadi Rp 9.732. Pada tanggal 8 Mei 2017, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut.

Pada tanggal 30 Juli 2018, Pengadilan Pajak mengucapkan Putusan Pengadilan Pajak mengenai banding terhadap Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2010 yang mengabulkan seluruh permohonan banding Wajib Pajak sebesar Rp 9.732.

Pada tanggal 26 Oktober 2018, DJP menyampaikan permohonan peninjauan kembali ke Mahkamah Agung atas Putusan Pengadilan Pajak di atas yang diterima oleh Bank pada tanggal 8 November 2018. Bank menyampaikan jawaban (kontra memori) terhadap permohonan peninjauan kembali tersebut pada tanggal 5 Desember 2018. Pada tanggal 11 Juli 2019, Mahkamah Agung kemudian mengeluarkan Putusan Mahkamah Agung yang menolak permohonan Peninjauan Kembali DJP.

32. TAXATION (continued)

- g. The details of the Bank's net deferred tax assets are as follows: (continued)

Deferred tax assets:
Allowance for
impairment losses
on financial assets
Depreciation of fixed
assets and amortisation
of intangible assets
Post-employment
and other
benefits
Unrealised loss/(gain)
from changes in
fair value of
investment securities
Others

Deferred tax assets -
net

- h. The management believes that total deferred tax assets arising from temporary differences are probable to be realised in the future years.

- i. On 10 December 2015 Large Taxpayer Office One (LTO I) issued an Underpayment Tax Assessment Letter of Corporate Income Tax (CIT) Fiscal Year 2010 amounting to Rp 9,735. The Bank made a partial payment of Rp 311 and recorded it as prepaid tax. On 8 March 2016, The Bank then filed an objection to Assessment Letter of CIT.

On 10 February 2017, the Director General of Taxation (DGT) issued Objection Decision on Assessment Letter of CIT Fiscal Year 2010 which accepted a small portion of the Taxpayer's objection of Rp 3, so the tax dispute amount became Rp 9,732. On 8 May 2017, the Bank then filed an appeal to the Tax Court against that Objection Decision.

On 30 July 2018, Tax Court issued a Tax Court Decision regarding an appeal against Objection Decision on Assessment Letter of CIT Fiscal Year 2010 which accepted all appeal requests of Taxpayer amounting to Rp 9,732.

On 26 October 2018, DGT submitted a civil review request to the Supreme Court on the above Tax Court Decision which was received by the Bank on 8 November 2018. The Bank submitted a response (counter-memorial) to that civil review request on 5 December 2018. On 11 July 2019, the Supreme Court then issued a Supreme Court Decision that rejected the review request of DGT.

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32. PERPAJAKAN (lanjutan)

- j. Pada tanggal 29 November 2017, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Pasal 21, PPh Pasal 26, dan Pajak Pertambahan Nilai (PPN) Tahun Pajak 2012 senilai Rp 6.362 dengan jumlah kurang bayar yang disetujui senilai Rp 180. Bank melakukan pembayaran penuh dan mencatat sejumlah Rp 180 sebagai biaya Bank di tahun 2017 dan Rp 6.182 sebagai pajak dibayar di muka. Pada tanggal 28 Februari 2018, Bank kemudian mengajukan keberatan atas SKPKB PPh Badan dan PPN.

Pada tanggal 10 Juli 2018, DJP menerbitkan Keputusan Keberatan atas SKPKB PPN Masa Pajak Desember 2012 yang menolak keberatan Wajib Pajak. Bank tidak mengajukan banding terhadap Keputusan Keberatan tersebut dan mencatat jumlah sengketa pajak sebesar Rp 934 sebagai biaya Bank di tahun 2018.

Pada tanggal 25 Januari 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2012 yang mengabulkan sebagian besar keberatan Wajib Pajak sebesar Rp 4.987 sehingga jumlah sengketa pajak menjadi Rp 260. Pada tanggal 24 April 2019, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Badan 2012 masih berlangsung di Pengadilan Pajak.

Pada tanggal 25 Juli 2019, Bank menerima pengembalian kelebihan pembayaran pajak berdasarkan Keputusan Keberatan PPh Badan Tahun Pajak 2012.

- k. Pada tanggal 15 Desember 2017, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Pasal 21, dan PPh Final Pasal 4 (2) Tahun Pajak 2013 senilai Rp 8.750 dengan jumlah kurang bayar yang disetujui senilai Rp 133. Bank melakukan pembayaran penuh dan mencatat sejumlah Rp 133 sebagai biaya Bank di tahun 2017 dan Rp 8.617 sebagai pajak dibayar di muka. Pada tanggal 6 Maret 2018, Bank kemudian mengajukan keberatan atas SKPKB PPh Badan.

Pada tanggal 25 Januari 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2013 yang mengabulkan sebagian besar keberatan Wajib Pajak sebesar Rp 7.843 sehingga jumlah sengketa pajak menjadi Rp 773. Pada tanggal 24 April 2019, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan PPh Badan 2013. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Badan 2013 masih berlangsung di Pengadilan Pajak.

Pada tanggal 25 Juli 2019, Bank menerima pengembalian kelebihan pembayaran pajak berdasarkan Keputusan Keberatan PPh Badan Tahun Pajak 2013.

- l. Pada tanggal 10 Juli 2018, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Pasal 21, PPh Pasal 23, PPh Pasal 26, PPh Final Pasal 4 (2), dan PPN Tahun Pajak 2014 senilai Rp 75.058 dengan jumlah kurang bayar yang disetujui senilai Rp 748. Bank melakukan pembayaran sebagian sebesar Rp 59.687 dan mencatat sejumlah Rp 748 sebagai biaya Bank di tahun 2018 dan Rp 58.939 sebagai pajak dibayar di muka. Pada tanggal 9 Oktober 2018, Bank kemudian mengajukan keberatan atas SKPKB PPh Badan, PPh Pasal 21, PPh Pasal 23, PPh Final Pasal 4 (2), dan PPN.

32. TAXATION (continued)

- j. On 29 November 2017, LTO I issued SKB of CIT, Income Tax Article 21, Article 26, and Value Added Tax (VAT) Fiscal Year 2012 amounting to Rp 6,362 with agreed underpayment amounting to Rp 180. The Bank made full payment and recorded Rp 180 as an expense of the Bank in 2017 and Rp 6,182 as prepaid tax. On 28 February 2018, the Bank then filed an objection to the Assessment Letter of CIT and VAT.

On 10 July 2018, DGT issued Objection Decisions on Assessment Letter of VAT Fiscal Period December 2012 which rejected the Taxpayer's objection. The Bank did not file an appeal against those Objection Decisions and recorded a tax dispute amounting to Rp 934 as an expense of the Bank in 2018.

On 25 January 2019, DGT issued Objection Decision on Assessment Letter of CIT Fiscal Year 2012, which accepted most of the Taxpayer's objection of Rp 4,987, so the tax dispute amount became Rp 260. On 24 April 2019, the Bank then filed an appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute CIT 2012 is still ongoing in Tax Court.

On 25 July 2019, the Bank received a tax refund based on the Objection Decision of CIT Fiscal Year 2012.

- k. On 15 December 2017, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 21, and Final Article 4 (2) Fiscal Year 2013 amounting to Rp 8,750 with agreed underpayment amounting to Rp 133. The Bank made full payment and recorded Rp 133 as an expense of the Bank in 2017 and Rp 8,617 as prepaid tax. On 6 March 2018, the Bank then filed an objection to the Assessment Letter of CIT.

On 25 January 2019, DGT issued Objection Decision on Assessment Letter of CIT Fiscal Year 2013 which accepted most of the Taxpayer's objection of Rp 7,843 so the tax dispute amount became Rp 773. On 24 April 2019, the Bank then filed an appeal to the Tax Court against Objection Decision of CIT 2013. Until this report is prepared, tax hearing on dispute CIT 2013 is still ongoing in Tax Court.

On 25 July 2019, the Bank received a tax refund based on the Objection Decision of CIT Fiscal Year 2013.

- l. On 10 July 2018, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 21, Article 23, Article 26, Final Article 4 (2), and VAT Fiscal Year 2014 amounting to Rp 75,058 with agreed underpayment amounting to Rp 748. The Bank made a partial payment of Rp 59,687 and recorded Rp 748 as an expense of the Bank in 2018 and Rp 58,939 as prepaid tax. On 9 October 2018, the Bank then filed an objection to Assessment Letter of CIT, Income Tax Article 21, Article 23, Final Article 4 (2), and VAT.

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32. PERPAJAKAN (lanjutan)

Pada tanggal 3 September 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Final Pasal 4 (2) Masa Pajak Desember 2014 yang menolak keberatan Wajib Pajak. Bank tidak mengajukan banding terhadap Keputusan Keberatan tersebut dan mencatat jumlah sengketa pajak sebesar Rp 160 sebagai biaya Bank di tahun 2019.

Pada tanggal 5 September 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Pasal 21 Masa Pajak Desember 2014 yang menolak keberatan Wajib Pajak sehingga jumlah sengketa pajak tetap Rp 4.167. Pada tanggal 4 Desember 2019, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut.

Pada tanggal 11 September 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Pasal 23 Masa Pajak Desember 2014 yang mengabulkan seluruh keberatan Wajib Pajak sebesar Rp 306. Pada tanggal 9 Oktober 2019, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut.

Pada tanggal 16 September 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2014 yang mengabulkan sebagian besar keberatan Wajib Pajak sebesar Rp 63.952 sehingga jumlah sengketa pajak menjadi Rp 381. Bank tidak mengajukan banding terhadap Keputusan Keberatan tersebut dan mencatat jumlah kurang bayar sebesar Rp 381 sebagai biaya Bank di tahun 2019. Pada tanggal 15 Januari 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut.

- m. Pada tanggal 30 dan 31 Oktober 2018, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Final Pasal 21, PPh Final Pasal 4 (2), dan PPN Tahun Pajak 2015 senilai Rp 94.077 dengan jumlah kurang bayar yang disetujui senilai Rp 151. Bank melakukan pembayaran penuh dan mencatat sejumlah Rp 151 sebagai biaya Bank di tahun 2018 dan Rp 93.926 sebagai pajak dibayar di muka. Pada tanggal 29 Januari 2019, Bank kemudian mengajukan keberatan atas SKPKB PPh Badan, PPh Final Pasal 4 ayat (2), dan PPN.

Pada tanggal 5 Agustus 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Final Pasal 4 (2) Masa Pajak Desember 2015 yang menolak keberatan Wajib Pajak. Bank tidak mengajukan banding terhadap Keputusan Keberatan tersebut dan mencatat jumlah sengketa pajak sebesar Rp 3.369 sebagai biaya Bank di tahun 2019.

Pada tanggal 13 Desember 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPN Masa Pajak Desember 2015 yang menolak keberatan Wajib Pajak sehingga jumlah sengketa pajak tetap Rp 391. Bank berencana untuk mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut.

32. TAXATION (continued)

On 3 September 2019, DGT issued Objection Decision on Assessment Letter of Income Tax Final Article 4 (2) Fiscal Period December 2014 which rejected the Taxpayer's objection. The Bank did not file an appeal against that Objection Decision and recorded a tax dispute amount of Rp 160 as an expense of the Bank in 2019.

On 5 September 2019, DGT issued Objection Decision on Assessment Letter of Income Tax Article 21 Fiscal Period December 2014 which rejected Taxpayer's objection so the tax dispute amount remained Rp 4,167. On 4 December 2019, the Bank then filed an appeal to the Tax Court against that Objection Decision.

On 11 September 2019, DGT issued Objection Decision on Assessment Letter of Income Tax Article 23 Fiscal Period December 2014 which fully accepted the Taxpayer's objection of Rp 306. On 9 October 2019, the Bank received a tax refund based on that Objection Decision.

On 16 September 2019, DGT issued Objection Decision on Assessment Letter of CIT Fiscal Year 2014 which accepted most of the Taxpayer's objection of Rp 63,952, so the tax dispute amount became Rp 381. The Bank did not file an appeal against that Objection Decision and recorded the tax dispute amount of Rp 381 as an expense of the Bank in 2019. On 15 January 2020, the Bank received a tax refund based on that Objection Decision.

- m. On 30 and 31 October 2018, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 21, Final Article 4 (2), and VAT Fiscal Year 2015 amounting to Rp 94,077 with agreed underpayment amounting to Rp 151. The Bank made full payment and recorded Rp 151 as an expense of the Bank in 2018 and Rp 93,926 as prepaid tax. On 29 January 2019, the Bank then filed an objection to Assessment Letter of CIT, Income Tax Final Article 4 (2), and VAT.

On 5 August 2019, DGT issued Objection Decision on Assessment Letter of Income Tax Final Article 4 (2) Fiscal Period December 2015 which rejected the Taxpayer's objection. The Bank did not file an appeal against that Objection Decision and recorded a tax dispute amount of Rp 3,369 as an expense of the Bank in 2019.

On 13 December 2019, DGT issued Objection Decision on Assessment Letter of VAT Fiscal Period December 2015 which rejected the Taxpayer's objection, so the tax dispute amount remained Rp 391. The Bank plans to file an appeal to the Tax Court against the Objection Decision.

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32. PERPAJAKAN (lanjutan)

Pada tanggal 23 Desember 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2015 yang mengabulkan sebagian besar keberatan Wajib Pajak sebesar Rp 88.898 sehingga jumlah sengketa pajak menjadi Rp 1.268. Bank berencana untuk mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Pada tanggal 15 Januari 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut.

- n. Pada tanggal 24 November 2017, KPP WPB I menerbitkan SKPKB PPN atas Pemanfaatan Barang Kena Pajak Tidak Berwujud dari Luar Daerah Pabean Masa Pajak April 2017 senilai Rp 2.300.911. Pada tanggal 23 Februari 2018, Bank kemudian mengajukan keberatan atas SKPKB tersebut. Pada saat pengajuan keberatan, Bank belum melakukan pembayaran atas SKPKB tersebut.

Pada tanggal 28 Desember 2018, DJP menerbitkan Keputusan Keberatan atas SKPKB PPN Masa Pajak April 2017 yang mengabulkan sebagian keberatan Wajib Pajak sebesar Rp 2.016.138 sehingga jumlah sengketa pajak menjadi Rp 284.773. Bank melakukan pembayaran sebesar Rp 284.773 pada tanggal 28 Desember 2018 dan kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut pada 26 Maret 2019. Sampai dengan laporan ini dibuat, Pengadilan Pajak belum mengucapkan Putusan Pengadilan Pajak mengenai banding atas Keputusan Keberatan PPN April 2017.

- o. Pada tanggal 24 April 2019, KPP WPB I menerbitkan Surat Ketetapan Pajak Lebih Bayar (SKPLB) PPh Badan Tahun Pajak 2017 senilai Rp 182.963, serta SKPKB PPh Pasal 21, PPh Pasal 23, PPh Pasal 26, PPh Final Pasal 4 (2), dan PPN Tahun Pajak 2017 senilai Rp 36.246 dengan jumlah kurang bayar yang disetujui senilai Rp 392. Bank melakukan pembayaran penuh dan mencatat sejumlah Rp 392 sebagai biaya Bank di tahun 2019 dan Rp 35.853 sebagai pajak dibayar di muka. Pada tanggal 23 Juli 2019, Bank kemudian mengajukan keberatan atas SKPLB PPh Badan, SKPKB PPh Pasal 21, PPh Pasal 23, PPh Pasal 26, PPh Final Pasal 4 (2), dan PPN.

Pada tanggal 27 Desember 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Pasal 23 Masa Pajak Januari, Februari, Maret, April, dan Mei 2017 yang mengabulkan sebagian keberatan Wajib Pajak sebesar Rp 10. Pada tanggal 27 dan 28 Januari 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut.

Pada tanggal 3 Februari 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Pasal 23 Masa Pajak Juli, Agustus, September, Oktober, dan Desember 2017 yang mengabulkan sebagian keberatan Wajib Pajak sebesar Rp 64. Pada tanggal 27 Februari 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut.

Pada tanggal 21 Februari 2020, Bank menerima kelebihan pembayaran pajak berdasarkan SKPLB PPh Badan Tahun Pajak 2017.

32. TAXATION (continued)

On 23 December 2019, DGT issued Objection Decision on Assessment Letter of CIT Fiscal Year 2015, which accepted most of the Taxpayer's objection of Rp 88,898, so the tax dispute amount became Rp 1,268. The Bank plans to file an appeal to the Tax Court against that Objection Decision. On 15 January 2020, the Bank received a tax refund based on that Objection Decision.

- n. On 24 November 2017, LTO I issued an Underpayment Tax Assessment Letter of VAT on the Utilization of Taxable Intangibles from Outside Custom Area Fiscal Period April 2017 amounting to Rp 2,300,911. On 23 February 2018, the Bank then filed an objection to that Assessment Letter. When filing the objection, the Bank had not made any payment on that Tax Assessment Letter.

On 28 December 2018, DGT issued Objection Decision on Assessment Letter of VAT Fiscal Period April 2017 which accepted some of the Taxpayer's objection of Rp 2,016,138 so the tax dispute amount became Rp 284,773. The Bank made payment of Rp 284,773 on 28 December 2018 and then filed an appeal to Tax Court against that Objection Decision on 26 March 2019. Until this report is prepared, Tax Court has not issued a Tax Court Decision regarding an appeal against Objection Decision of VAT April 2017.

- o. On 24 April 2019, LTO I issued Overpayment Tax Assessment Letter of CIT Fiscal Year 2017 amounting to Rp 182,963, as well as Underpayment Tax Assessment Letters of Income Tax Article 21, Article 23, Article 26, Final Article 4 (2), and VAT Fiscal Year 2017 amounting to Rp 36,246 with agreed underpayment amounting to Rp 392. The Bank made full payment and recorded Rp 392 as an expense of the Bank in 2019 and Rp 35,853 as prepaid tax. On 23 July 2019, the Bank then filed an objection to Assessment Letter of CIT, Income Tax Article 21, Article 23, Article 26, Final Article 4 (2), and VAT.

On 27 December 2019, DGT issued Objection Decisions on Assessment Letters of Income Tax Article 23 Fiscal Period January, February, March, April, and May 2017 which accepted some of the Taxpayer's objection of Rp 10. On 27 and 28 January 2020, the Bank received a tax refund based on those Objection Decisions.

On 3 February 2020, DGT issued Objection Decisions on Assessment Letters of Income Tax Article 23 Fiscal Period July, August, September, October, and December 2017 which accepted some of the Taxpayer's objection of Rp 64. On 27 February 2020, the Bank received a tax refund based on those Objection Decisions.

On 21 February 2020, the Bank received a tax refund based on Overpayment Tax Assessment Letter of CIT Fiscal Year 2017.

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32. PERPAJAKAN (lanjutan)

- p. Pada tanggal 30 Oktober 2019, KPP WPB I menerbitkan Surat Tagihan Pajak (STP) PPh Pasal 25 Masa Pajak Maret dan Juli 2019 senilai total Rp 189.703. Bank hanya melakukan pembayaran atas pokok kurang bayar pajak sebesar Rp 169.711. Pada tanggal 12 Desember 2019, Bank kemudian mengajukan permohonan penghapusan sanksi administrasi.

Pada tanggal 4 Februari 2020, DJP menerbitkan Keputusan tentang Penghapusan Sanksi Administrasi atas Surat Tagihan Pajak Secara Jabatan untuk Masa Pajak Maret 2019.

- q. 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, DJP telah menerbitkan surat persetujuan No. KEP-164/WPJ.19/2017 untuk menggunakan nilai buku pajak.

- r. Berdasarkan Peraturan Menteri Keuangan No. 52/PMK.010/2017 tentang Penggunaan Nilai Buku atas Pengalihan dan Perolehan Harta dalam rangka Penggabungan, Peleburan, Pemekaran, atau Pengambilalihan Usaha, Bentuk Usaha Tetap (BUT) The Hongkong and Shanghai Banking Corporation Limited telah memperoleh persetujuan Pencabutan Izin Usaha Kantor Cabang dari Otoritas Jasa Keuangan (OJK) dengan Keputusan Dewan Komisiner OJK No. 8/KDK.03/2019 tertanggal 8 April 2019 dan selanjutnya, hak dan kewajiban perpajakan BUT The Hongkong and Shanghai Banking Corporation Limited (BUT HSBC) untuk masa pajak, bagian tahun pajak, dan/atau tahun pajak sebelum dilakukannya pembubaran BUT sebagaimana dimaksud dalam Pasal 9 ayat (1) dan (2) beralih kepada Wajib Pajak yang menerima pengalihan harta dalam rangka penggabungan, peleburan, atau pengambilalihan usaha, dalam hal ini, PT Bank HSBC Indonesia.

Sehubungan dengan hal tersebut di atas, saldo bersih aset pajak BUT HSBC pun dialihkan ke PT Bank HSBC Indonesia secara bertahap sejak 31 January 2019 sampai dengan sebelum tanggal pencabutan izin usaha senilai total Rp 679.915.

- s. Pada tanggal 17 dan 23 Desember 2015, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Pasal 21, PPh Pasal 23, PPh Final Pasal 23/26, PPh Final Pasal 4 (2), dan PPN Tahun Pajak 2010 atas Wajib Pajak BUT HSBC senilai Rp 386.531. BUT HSBC melakukan pembayaran penuh dan mencatat sejumlah Rp 3.688 sebagai biaya dalam laporan laba rugi BUT HSBC tahun 2015 dan Rp 382.843 sebagai pajak dibayar di muka. BUT HSBC kemudian mengajukan keberatan atas SKPKB PPh Badan pada tanggal 11 Maret 2016 dan PPh Final Pasal 23/26 pada tanggal 14 Maret 2016.

Pada tanggal 21 Februari 2017, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2010 yang mengabulkan sebagian keberatan Wajib Pajak sebesar Rp 17.746 sehingga jumlah sengketa pajak menjadi Rp 365.097. Pada tanggal 11 April 2017, BUT HSBC kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan PPh Badan dan PPh Final Pasal 23/26 dan mencatat jumlah sengketa pajak sebesar Rp 3.255 yang tidak diajukan banding sebagai biaya dalam laporan laba rugi BUT HSBC tahun 2017.

32. TAXATION (continued)

- p. On 30 October 2019, LTO I issued Tax Collection Letters of income Tax Article 25 Fiscal Period March and July 2019 amounting to Rp 189,703. The Bank only made payment for the underpaid tax of Rp 169,711. On 12 December 2019, the Bank then submitted a request for nullification of administrative sanction.

On 4 February 2020, DGT issued a Decision regarding the Nullification of Administrative Sanction on Tax Collection Letter ex Officio for Fiscal Period March 2019.

- q. In relation to the business integration, on 21 August 2017 the Bank has submitted a request for using book value on the asset transferred in relation to the business integration. On 9 October 2017, the DGT has issued the approval decision No. KEP-164/WPJ.19/2017 for using fiscal book value.

- r. Based on the Ministry of Finance (MoF) Regulation No. 52/PMK.010/2017 regarding The Use of Book Value for the Transfer and Acquisition of Assets in the Context of Merger, Consolidation, Expansion, or Acquisition, Permanent Establishment (PE) The Hongkong and Shanghai Banking Corporation Limited had received approval for Revocation of Business License of Branch Office from Financial Service Authority (FSA) with the Decree of FSA Commissioners No. 8/KDK.03/2019 dated 8 April 2019 and after that, the tax rights and obligations of PE The Hongkong and Shanghai Banking Corporation Limited (PE HSBC) for fiscal period, part of fiscal year, and/or fiscal year before the liquidation of PE as mentioned in Article 9 paragraph (1) and (2) are transferred to the Taxpayer who received the assets in the context of merger, consolidation, or acquisition, in this case, PT Bank HSBC Indonesia.

In regard to the above matters, the balance of net tax assets of PE HSBC was also transferred to PT Bank HSBC Indonesia gradually since 31 January 2019 until before the date of business license revocation in a total of Rp 679,915.

- s. On 17 and 23 December 2015, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 21, Article 23, Final Article 23/26, Final Article 4 (2), and VAT Fiscal Year 2010 for Taxpayer PE HSBC amounting to Rp 386,531. PE HSBC made full payment and recorded Rp 3,688 as expense in the statement of profit or loss of PE HSBC for the year 2015 and Rp 382,843 as prepaid tax. PE HSBC then filed an objection to Assessment Letter of CIT on 11 March 2016 and Income Tax Final Article 23/26 on 14 March 2016.

On 21 February 2017, DGT issued Objection Decisions on Assessment Letter of CIT and Income Tax Final Article 23/26 Fiscal Year 2010 which accepted some of the Taxpayer's objection of Rp 17,746, so the tax dispute amount became Rp 365,097. On 11 April 2017, PE HSBC then filed an appeal to the Tax Court against Objection Decisions of CIT and Income Tax Final Article 23/26 and recorded tax dispute amount of Rp 3,255 which was not appealed as expense in the statement of profit or loss of PE HSBC for the year 2017.

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32. PERPAJAKAN (lanjutan)

Pada tanggal 20 Februari 2019, Pengadilan Pajak mengucapkan Putusan Pengadilan Pajak mengenai banding terhadap Keputusan Keberatan PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2010 yang mengabulkan seluruh permohonan banding Wajib Pajak sebesar Rp 361.987.

Pada tanggal 4 April 2019 dan 26 Juni 2019, Bank menerima pengembalian kelebihan pembayaran pajak BUT HSBC untuk PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2010 berdasarkan Keputusan Keberatan dan Putusan Pengadilan Pajak.

Pada tanggal 27 Mei 2019, DJP menyampaikan permohonan Peninjauan Kembali ke Mahkamah Agung atas Putusan Pengadilan Pajak di atas yang diterima oleh Bank pada tanggal 14 Juni 2019. Bank menyampaikan jawaban (kontra memori) terhadap permohonan peninjauan kembali tersebut pada tanggal 10 Juli 2019. Sampai dengan laporan ini dibuat, Mahkamah Agung belum mengeluarkan Putusan Mahkamah Agung atas permohonan Peninjauan Kembali DJP tersebut.

- t. Pada tanggal 19 dan 28 Desember 2016, KPP WPB I menerbitkan SKPKB PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2011 atas Wajib Pajak BUT HSBC senilai Rp 136.706. BUT HSBC melakukan pembayaran penuh dan mencatat sejumlah Rp 1 sebagai biaya dalam laporan laba rugi BUT HSBC tahun 2016 dan Rp 136.705 sebagai pajak dibayar di muka. Pada tanggal 7 Maret 2017, BUT HSBC kemudian mengajukan keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26.

Pada tanggal 13 Desember 2017, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2011 yang mengabulkan sebagian keberatan Wajib Pajak sebesar Rp 24.359 sehingga jumlah sengketa pajak menjadi Rp 112.346. Pada tanggal 12 Maret 2018, BUT HSBC kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan PPh Badan dan PPh Final 23/26.

Pada tanggal 18 September 2019, Pengadilan Pajak mengucapkan Putusan Pengadilan Pajak mengenai banding terhadap Keputusan Keberatan PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2011 yang mengabulkan seluruh permohonan banding Wajib Pajak sebesar Rp 112.346.

Pada tanggal 4 April 2019 dan 17 Januari 2020, Bank menerima pengembalian kelebihan pembayaran pajak BUT HSBC untuk PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2011 berdasarkan Keputusan Keberatan dan Putusan Pengadilan Pajak.

Pada tanggal 19 Desember 2019, DJP menyampaikan permohonan Peninjauan Kembali ke Mahkamah Agung atas Putusan Pengadilan Pajak di atas yang diterima oleh Bank pada tanggal 9 Januari 2020. Bank menyampaikan jawaban (kontra memori) terhadap permohonan peninjauan kembali tersebut pada tanggal 5 Februari 2020. Sampai dengan laporan ini dibuat, Mahkamah Agung belum mengeluarkan Putusan Mahkamah Agung atas permohonan Peninjauan Kembali DJP tersebut.

32. TAXATION (continued)

On 20 February 2019, Tax Court issued Tax Court Decisions regarding an appeal against Objection Decisions on Assessment Letters of CIT and Income Tax Final Article 23/26 Fiscal Year 2010 which accepted all appeal requests of Taxpayer amounting to Rp 361,987.

On 4 April 2019 and 26 June 2019, the Bank received a tax refund of PE HSBC for CIT and Income Tax Final Article 23/26 Fiscal Year 2010 based on Objection Decisions and Tax Court Decisions.

On 27 May 2019, DGT submitted a civil review request to the Supreme Court on the above Tax Court Decisions which was received by the Bank on 14 June 2019. The Bank submitted responses (counter-memorials) to that civil review request on 10 July 2019. Until this report is prepared, the Supreme Court has not yet issued the Supreme Court Decision on the civil review request of DGT.

- t. On 19 and 28 December 2016, LTO I issued Underpayment Tax Assessment Letters of CIT and Income Tax Final Article 23/26 Fiscal Year 2011 for Taxpayer PE HSBC amounting to Rp 136,706. PE HSBC made full payment and recorded Rp1 as expense in the statement of profit or loss of PE HSBC for the year 2016 and Rp 136,705 as prepaid tax. On 7 March 2017, PE HSBC then filed an objection to the Assessment Letter of CIT and Income Tax Final Article 23/26.

On 13 December 2017, DGT issued Objection Decisions on Assessment Letter of CIT and Income Tax Final Article 23/26 Fiscal Year 2011 which accepted some of the Taxpayer's objection of Rp 24,359 so the tax dispute amount became Rp 112,346. On 12 March 2018, PE HSBC then filed an appeal to the Tax Court against Objection Decisions of CIT and Income Tax Final Article 23/26.

On 18 September 2019, Tax Court issued Tax Court Decisions regarding an appeal against Objection Decisions on Assessment Letters of CIT and Income Tax Final Article 23/26 Fiscal Year 2011 which accepted all appeal requests of Taxpayer amounting to Rp 112,346.

On 4 April 2019 and 17 January 2020, the Bank received a tax refund of PE HSBC for CIT and Income Tax Final Article 23/26 Fiscal Year 2011 based on Objection Decisions and Tax Court Decisions.

On 19 December 2019, DGT submitted a civil review request to the Supreme Court on the above Tax Court Decisions which was received by the Bank on 9 January 2020. The Bank submitted responses (counter-memorials) to that civil review request on 5 February 2020. Until this report is prepared, the Supreme Court has not yet issued a Supreme Court Decision on the civil review request of DGT.

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32. PERPAJAKAN (lanjutan)

- u. Pada tanggal 21 Desember 2017, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Pasal 23, PPh Final Pasal 23/26, dan PPh Final Pasal 4 (2) Tahun Pajak 2012 atas Wajib Pajak BUT HSBC senilai Rp 46.874 dengan jumlah kurang bayar yang disetujui senilai Rp 2.685. BUT HSBC melakukan pembayaran penuh dan mencatat sejumlah Rp 2.685 sebagai biaya dalam laporan laba rugi BUT HSBC tahun 2017 dan Rp 44.189 sebagai pajak dibayar di muka. Pada tanggal 20 Maret 2018, BUT HSBC kemudian mengajukan keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26.

Pada tanggal 14 Maret 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2012 yang menolak keberatan Wajib Pajak sehingga jumlah sengketa pajak tetap Rp 44.189. Pada tanggal 29 Mei 2019, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan PPh Badan dan PPh Final 23/26. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Badan dan PPh Final Pasal 23/26 2012 masih berlangsung di Pengadilan Pajak.

- v. Pada tanggal 7 Desember 2018, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Pasal 23, PPh Final Pasal 23/26, dan PPh Final Pasal 4 (2) Tahun Pajak 2013 atas Wajib Pajak BUT HSBC senilai Rp 86.029 dengan jumlah kurang bayar yang disetujui senilai Rp 1.725. BUT HSBC melakukan pembayaran sebagian sebesar Rp 67.001 dan mencatat sejumlah Rp 1.725 sebagai biaya dalam laporan laba rugi BUT HSBC tahun 2019 dan Rp 65.277 sebagai pajak dibayar di muka. Pada tanggal 5 Maret 2019, BUT HSBC kemudian mengajukan keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26.

Pada tanggal 28 Januari 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2013 yang mengabulkan sebagian keberatan Wajib Pajak sebesar Rp 30.118 sehingga jumlah sengketa pajak menjadi Rp 54.186. Bank berencana untuk mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut.

- w. Pada tanggal 15 November 2019 dan 9 Desember 2019, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Pasal 23, PPh Final Pasal 23/26, dan PPh Final Pasal 4 (2) Tahun Pajak 2014 atas Wajib Pajak BUT HSBC senilai Rp 45.919 dengan jumlah kurang bayar yang disetujui senilai Rp 643. Bank melakukan pembayaran sebagian sebesar Rp 39.682 dan mencatat sejumlah Rp 643 sebagai biaya Bank di tahun 2019 dan Rp 39.039 sebagai pajak dibayar di muka. Pada tanggal 13 Februari 2020, Bank kemudian mengajukan keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26.

- x. Pada tanggal 27 Desember 2018, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Pasal 23, dan PPh Final Pasal 23/26 Tahun Pajak 2015 atas Wajib Pajak BUT HSBC senilai Rp 49.993 dengan jumlah kurang bayar yang disetujui senilai Rp 104. Bank melakukan pembayaran penuh dan mencatat sejumlah Rp 104 sebagai biaya dalam laporan laba rugi BUT HSBC tahun 2019 dan Rp 49.889 sebagai pajak dibayar di muka. Pada tanggal 26 Maret 2019, BUT HSBC kemudian mengajukan keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26.

32. TAXATION (continued)

- u. On 21 December 2017, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 23, Final Article 23/26, and Final Article 4 (2) Fiscal Year 2012 for Taxpayer PE HSBC amounting to Rp 46,874 with agreed underpayment amounting to Rp 2,685. PE HSBC made full payment and recorded Rp 2,685 as expense in the statement of profit or loss of PE HSBC for the year 2017 and Rp 44,189 as prepaid tax. On 20 March 2018, PE HSBC then filed an objection to the Assessment Letter of CIT and Income Tax Final Article 23/26.

On 14 March 2019, DGT issued Objection Decisions on Assessment Letter of CIT and Income Tax Final Article 23/26 Fiscal Year 2012 which rejected the Taxpayer's objection so the tax dispute amount remained Rp 44,189. On 29 May 2019, the Bank then filed an appeal to the Tax Court against Objection Decisions of CIT and Income Tax Final Article 23/26. Until this report is prepared, tax hearing on dispute CIT and Income Tax Final Article 23/26 2012 is still ongoing in Tax Court.

- v. On 7 December 2018, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 23, Final Article 23/26, and Final Article 4 (2) Fiscal Year 2013 for Taxpayer PE HSBC amounting to Rp 86,029 with agreed underpayment amounting to Rp 1,725. PE HSBC made a partial payment of Rp 67,001 and recorded Rp 1,725 as expense in the statement of profit or loss of PE HSBC for the year 2019 and Rp 65,277 as prepaid tax. On 5 March 2019, PE HSBC then filed an objection to Assessment Letter of CIT and Income Tax Final Article 23/26.

On 28 January 2020, DGT issued Objection Decisions on Assessment Letter of CIT and Income Tax Final Article 23/26 Fiscal Year 2013 which accepted some of the Taxpayer's objection of Rp 30,118, so the tax dispute amount became Rp 54,186. The Bank plans to file an appeal to the Tax Court against those Objection Decisions.

- w. On 15 November 2019 and 9 December 2019, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 23, Final Article 23/26, and Final Article 4 (2) Fiscal Year 2014 for Taxpayer PE HSBC amounting to Rp 45,919 with agreed underpayment amounting to Rp 643. The Bank made a partial payment of Rp 39,682 and recorded Rp 643 as an expense of the Bank and Rp 39,039 as prepaid tax. On 13 February 2020, the Bank then filed an objection to Assessment Letter of CIT and Income Tax Final Article 23/26.

- x. On 27 December 2018, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 23, and Final Article 23/26 the Fiscal Year 2015 for Taxpayer PE HSBC amounting to Rp 49,993 with agreed underpayment amounting to Rp 104. The Bank made full payment and recorded Rp 104 as expense in the statement of profit or loss of PE HSBC for the year 2019 and Rp 49,889 as prepaid tax. On 26 March 2019, the Bank then filed an objection to Assessment Letter of CIT and Income Tax Final Article 23/26.

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32. PERPAJAKAN (lanjutan)

Pada tanggal 24 dan 31 Januari 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2015 yang menolak keberatan Wajib Pajak sehingga jumlah sengketa pajak tetap Rp 49.889. Bank berencana untuk mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut.

- y. Pada tanggal 25 April 2019, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Pasal 21, PPh Pasal 23, PPh Pasal 26, PPh Final Pasal 23/26, PPh Final Pasal 4 (2), dan PPN Tahun Pajak 2017 atas Wajib Pajak BUT HSBC senilai Rp 96.167 dengan jumlah kurang bayar yang disetujui senilai Rp 176. Bank melakukan pembayaran sebagian sebesar Rp 79.259 dan mencatat sejumlah Rp 176 sebagai biaya Bank di tahun 2019 dan Rp 79.083 sebagai pajak dibayar di muka. Bank kemudian mengajukan keberatan atas SKPKB PPh Badan, PPh Pasal 26, PPh Final Pasal 23/26, dan PPN pada tanggal 19 Juli 2019.

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 2019 dan 2018, 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 2019 dan 2018 adalah sebagai berikut:

	2019	
	Jumlah/ Amount	Persentase/ Percentage ¹⁾
Giro pada bank-bank lain	1.746.901	1,56
Penempatan pada bank-bank lain	7.696.511	6,88
Tagihan derivatif	67.888	0,06
Kredit yang diberikan kepada nasabah	2.954	0,00
Aset Lain-lain	205.096	0,18
Simpanan dari nasabah	24.786	0,03
Simpanan dari bank-bank lain	1.628.842	1,74
Liabilitas derivatif	94.397	0,10
Utang akseptasi	136.367	0,15
Beban akrual dan provisi	74.445	0,08
Liabilitas lain-lain	129.788	0,14
Pinjaman yang diterima	15.062.513	16,07
Pinjaman subordinasi	1.041.188	1,11

¹⁾ Persentase terhadap jumlah aset/liabilitas**32. TAXATION (continued)**

On 24 and 31 January 2020, DGT issued Objection Decisions on Assessment Letters of CIT and Income Tax Final Article 23/26 Fiscal Year 2015 which rejected the Taxpayer's objection, so the tax dispute amount remained Rp 49,889. The Bank plans to file an appeal to the Tax Court against those Objection Decisions.

- y. On 25 April 2019, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 21, Article 23, Article 26, Final Article 23/26, Final Article 4 (2), and VAT Fiscal Year 2017 for Taxpayer PE HSBC amounting to Rp 96,167 with agreed underpayment amounting to Rp 176. The Bank made a partial payment of Rp 79,259 and recorded Rp 176 as an expense of the Bank in 2019 and Rp 79,083 as prepaid tax. The Bank then filed an objection to Assessment Letter of CIT, Income Tax Article 26, Final Article 23/26, and VAT on 19 July 2019.

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 January 2017.

As at 31 December 2019 and 2018, 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 2019 and 2018 are as follows:

	2018	
	Jumlah/ Amount	Persentase/ Percentage ¹⁾
Demand deposits with other banks	1.685.902	1,55
Placements with other banks	7.507.532	6,89
Derivative receivables	68.959	0,06
Loans to customers	613.584	0,56
Other Assets	-	-
Deposits from customers	30.958	0,03
Deposits from other banks	4.870.277	5,22
Derivative payables	34.108	0,04
Acceptance payables	168.758	0,18
Accruals and provisions	481	0,00
Other Liabilities	-	-
Borrowings	19.973.820	21,41
Subordinated debt	1.078.500	1,16

Percentage of the total assets/liabilities ¹⁾

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**34. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN
PIHAK BERELASI (lanjutan)**

Pada tanggal 31 Desember 2019 dan 2018, 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 2019, saldo terhutang atas fasilitas ini adalah sebesar Rp 15.062.513 (USD 1.085 juta). Pinjaman ini memiliki tingkat suku bunga mengambang, yaitu LIBOR 1 bulan ditambah *spread* berkisar antara 35 bps sampai dengan 48 bps (*basis point*). Tanggal jatuh tempo pinjaman ini mulai dari Juni 2020 sampai dengan November 2021. 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 2019, saldo terhutang atas fasilitas ini adalah sebesar Rp 1.041.188 (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 2019 dan 2018 adalah sebagai berikut:

**34. NATURE OF RELATIONSHIP AND
TRANSACTIONS WITH RELATED PARTIES
(continued)**

As of 31 December 2019 and 2018, all financial assets with the related party are classified as current.

On 1 May 2013, the Bank entered into a 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 2019, the outstanding amount from this facility was Rp 15,062,513 (USD 1,085 million). This borrowing bears a floating interest rate of 1 month LIBOR plus spread between 35 bps to 48 bps (*basis point*). The maturity dates of the borrowing balances are ranging from June 2020 to November 2021. 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 were 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 a 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 debt bears a floating interest rate of 3 month USD LIBOR plus 407 bps (*basis points*). As of 31 December 2019, the outstanding amount from this facility was Rp 1,041,188 (USD 75 million). The subordinated debt is intended to support Supplementary Capital (Tier 2).

The details of significant transactions with related parties for the years ended 31 December 2019 and 2018 are as follows:

	2019		2018		
	Jumlah/ Amount	Persentase/ Percentage ²⁾	Jumlah/ Amount	Persentase/ Percentage ²⁾	
Pendapatan bunga	184.422	2,98	180.844	3,03	Interest income
Pendapatan provisi dan komisi	13.352	0,68	26.342	1,37	Fees and commission income
Beban bunga	638.326	28,80	498.799	27,76	Interest expenses
Beban provisi dan komisi	118.729	18,56	71.899	13,81	Fees and commission expenses
					General and administrative
Beban umum dan administrasi	262.445	23,60	359.911	19,94	expenses
Pendapatan lainnya - bersih	1.607	0,37	3.850	46,82	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 2019 dan 2018 adalah sebagai berikut:

2019		2018	
Jumlah/ Amount	Persentase/ Percentage ³⁾	Jumlah/ Amount	Persentase/ Percentage ³⁾
Tagihan kontinjensi : Garansi yang diterima dari bank-bank lain	8.365.089 52,71	6.072.658 41,53	

³⁾ Persentase terhadap jumlah komitmen dan kontinjensi

Selain transaksi dan saldo di atas, Bank telah melakukan pembayaran sebesar Rp 265.374 dan Rp 285.582 untuk layanan jasa *intragroup* selama tahun berakhir 31 Desember 2019 dan 2018 (Catatan 36).

Rincian sifat hubungan dan jenis transaksi yang signifikan dengan pihak berelasi pada tanggal 31 Desember 2019 dan 2018 adalah sebagai berikut:

**34. NATURE OF RELATIONSHIP AND
TRANSACTIONS WITH RELATED PARTIES
(continued)**

The details of contingent receivables with related parties as at 31 December 2019 and 2018 are as follows:

Contingent receivables :
Guarantees received
from other banks

Percentage of the total commitments and contingencies ³⁾

In addition to the above transactions and balances, the Bank has paid an amount of Rp 265,374 and Rp 285,582 for intragroup services during the years ended 31 December 2019 and 2018, respectively (Note 36).

The details of the relationship and type of significant transactions with related parties as of 31 December 2019 and 2018 are 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 2019 dan 2018 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 2019 dan 2018, 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 2019 dan 2018 terdiri dari:

	2019	2018	
Imbalan kerja jangka pendek	325.374	348.296	Short-term employee benefits
Imbalan kerja berbasis saham	21.769	24.666	Share-based compensation plan
Imbalan kerja jangka panjang lainnya	2.536	6.664	Other long-term employee benefits
Imbalan pasca-kerja	3.873	185	Post-employment benefits

Rincian gaji, tunjangan dan bonus Dewan Komisaris, Direksi, Komite Audit dan Komite Pemantau Risiko selama tahun yang berakhir tanggal 31 Desember 2019 dan 2018 adalah sebagai berikut:

	2019	2018	
Direksi	62.299	61.792	Directors
Dewan Komisaris	5.075	5.138	Board of Commissioners
Komite Audit dan Komite Pemantau Risiko	720	720	Audit Committee and Risk Monitoring Committee
Jumlah	68.094	67.650	Total

**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 2019 and 2018 are as follows: (continued)

Transactions with key management personnel

Key management personnel are parties who have the authority and responsibility to control the Bank activities, directly or indirectly.

Key management personnel include the 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 2019 and 2018, 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 2019 and 2018 comprised:

Details of salaries, allowance and bonuses of the Board of Commissioners, Directors, Audit Committee and Risk Monitoring Committee for the years ended 31 December 2019 and 2018 are as follows:

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35. KOMITMEN DAN KONTINJENSI

Pada tanggal 31 Desember 2019 dan 2018, komitmen dan kontinjensi Bank adalah sebagai berikut:

	2019	2018	
Komitmen			Commitment
Kewajiban komitmen			Committed liabilities
L/C yang tidak dapat dibatalkan	(2.332.307)	(3.035.786)	Irrevocable L/C
Fasilitas kredit yang belum digunakan - <i>committed</i>	(4.242.629)	(1.061.317)	Unused credit facilities - committed
Jumlah kewajiban komitmen	(6.574.936)	(4.097.103)	Total committed liabilities
Kontinjensi			Contingency
Kewajiban kontinjensi			Contingent liability
Bank garansi yang diterbitkan	(9.294.264)	(10.525.813)	Bank guarantees issued
Jumlah	(15.869.200)	(14.622.916)	Total

Bank garansi diterbitkan atas nama nasabah dalam rangka penjaminan pembayaran kredit dan pelaksanaan proyek.

Pada tanggal 31 Desember 2019 dan 2018, semua L/C dan bank garansi diterbitkan untuk pihak ketiga.

Pada tanggal 31 Desember 2019, 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.

Bank tidak memiliki liabilitas kontinjensi yang signifikan pada tanggal 31 Desember 2019 dan 2018.

As of 31 December 2019 and 2018, Bank's commitment and contingencies are as follows:

Bank guarantees are issued on behalf of customers for credit repayment and project implementation purposes.

As of 31 December 2019 and 2018, all L/C and bank guarantees were issued to third parties.

As of 31 December 2019, 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.

The Bank has no significant contingent liability as of 31 December 2019 and 2018.

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.

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.

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.

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.

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36. PERJANJIAN PENTING (lanjutan)**Management support agreement (lanjutan)**

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.

Efektif tanggal 1 Januari 2019, pemberi layanan jasa untuk layanan *management support agreement* dan perjanjian layanan jasa antargrup - HBAP diatas, akan berubah dari the Hongkong and Shanghai Banking Corporation Limited (HBAP) menjadi HSBC Global Services (HK) Limited (HGSH). Perubahan ini merupakan bagian restrukturisasi guna memiliki sebuah organisasi yang memberikan pelayanan secara global (HSBC Global Services) dimana HGSH merupakan bagian di dalamnya, *ring-fenced* dari grup HSBC. HGSH merupakan anak perusahaan yang dimiliki secara penuh oleh HSBC Global Services Limited. Tidak ada perubahan yang berarti dalam hal pelayanan yang diberikan sesuai dengan kondisi yang ada saat ini.

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 resiko, tata kelola, operasional usaha, pelaporan serta jasa lainnya sebagaimana disetujui kedua belah pihak efektif sejak tanggal 17 April 2017 sampai dengan tanggal 8 April 2019.

Pada tanggal 24 Januari 2019, Perjanjian Layanan Jasa Intra-Grup telah ditandatangani oleh HBAP dan HBID dimana karyawan HBID akan memberikan jasa untuk menunjang operasi sehari-hari terkait kegiatan yang tersisa paska penutupan Bank.

36. SIGNIFICANT AGREEMENT (continued)**Management support agreement (continued)**

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 upon by both parties.

Effective 1 January 2019, the service provider for the above management support agreement and intra-group service agreement - HBAP, will change from the Hongkong and Shanghai Banking Corporation Limited (HBAP) to HSBC Global Services (HK) Limited (HGSH). This change is part of a restructuring to have an organization that provides service globally (HSBC Global Service) where HGSH is part of it and ring-fenced from HSBC Group in the event of a recovery scenario. HGSH is a subsidiary that fully owned by HSBC Global Service Limited. There is no meaningful change in terms of services provided under the current condition.

Intra-group service agreement - IMO

In order to assist 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 effectively since 17 April 2017 up to 8 April 2019.

On 24 January 2019, an Intra-Group Service Agreement was signed by HBAP and HBID in order for relevant HBID's personnel in which HBID will provide day-to-day operational support for residual activities post the Bank's closure.

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