



Annual Report
2021

PT Bank HSBC Indonesia



RESILIENT PERFORMANCE
IN CHALLENGING TIMES

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.

RESILIENT PERFORMANCE IN CHALLENGING TIMES

Amid the ongoing COVID-19 pandemic the banking sector faced this year again significant challenges.

The recovery remained uneven among the economic sectors, limiting loan growth, with some debtors still facing difficulties in repaying their loans. Nevertheless, HSBC Indonesia was able to achieve a good performance during these challenging times. In 2021 we met the majority of our targets, and maintained strong long-term fundamentals indicators. We have also worked to find the best possible solutions for our clients impacted by the pandemic, as well as capturing arising opportunities.

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KEY HIGHLIGHTS 2021

In 2021, the banking industry saw improved performance, helped by economic recovery amid the prolonged COVID-19 pandemic. Policy synergy between financial authorities and the government was able to stimulate banking intermediation. HSBC ran its business in prudence to drive performance and maintain the Bank's fundamentals.



Capital Adequacy Ratio (CAR)

30.07 %

CAR was at a healthy level and above regulatory requirement.



Total Customer Deposits

Rp
85.41 trillion

Total customer deposits increased 18.36% from Rp72.16 trillion in 2020.



Total Assets

Rp
124.46 trillion

Total assets per 31 December 2021 increased 10.53% from Rp112.60 trillion in the previous year.



Low-Cost Funding Ratio

72.04 %

Increased from 70.89% in 2020



Total Gross Loans Disbursed

Rp
54.52 trillion

Total loans in 2021 were Rp54.52 trillion.



Return on Assets

1.53 %

Return on assets ratio decreased from 1.56% in 2020.



Return on Equity

7.61 %

Return on equity ratio increased from 7.04% in 2020.



Net Profit

Rp
1.47 trillion

Net profit reached Rp1.47 trillion per 31 December 2021.



Operating Expenses to Operating Income (BOPO)

78.03 %

Operating Expenses to Operating Income reached 78.03% per 31 December 2021.

FINANCIAL HIGHLIGHTS

(in billion Rupiah, unless otherwise specified)

	2021	2020
Statements of Financial Position		
Total Assets	124,462	112,601
Total Productive Assets	115,841	105,957
Loans to Customers - Gross	54,516	58,394
Investment Securities	21,121	17,861
Total Liabilities	104,321	93,303
Deposits from Customers		
- Demand Deposits	45,584	35,871
- Savings Accounts	15,946	15,281
- Time Deposits and Deposits on Call	23,877	21,008
Borrowings and Subordinated Loans	7,269	8,571
Total Equity	20,141	19,298
Statements of Comprehensive Profit or Loss		
Interest Income	4,772	5,307
Interest Expenses	(1,255)	(1,433)
Net Interest Income	3,517	3,874
Non-Interest Income	2,416	2,955
Operating Income after Impairment Losses	5,185	5,112
Profits Before Tax	1,857	1,774
Net Profit for the Year	1,473	1,310
Comprehensive Income	(120)	384
Earnings per Share (in Rupiah, Full Amount)	N/A	N/A
Financial Ratios		
Capital		
Capital Adequacy Ratio (CAR)	30.07%	26.70%
Productive Assets Quality		
Non-Performing Productive and Non-Productive Assets to Total Productive and Non-Productive Assets Ratio	1.32%	1.14%
Non-Performing Productive Assets to Total Productive Assets Ratio	2.18%	1.90%
Allowance Provision on Earning Assets to Total Earning Assets	2.78%	2.93%
Non-Performing Loan Ratio - Gross	4.64%	3.45%
Non-Performing Loan Ratio - Net	0.79%	0.94%
Profitability		
Return on Assets (ROA)	1.53%	1.56%
Return on Equity (ROE)	7.61%	7.04%
Net Interest Margin (NIM)	3.36%	4.03%
Operating Expenses to Operating Income (BOPO)	78.03%	84.67%
Cost to Income Ratio (CIR)	64.01%	65.58%
Liquidity		
Loan to Deposit Ratio (LDR)	63.83%	80.84%
Macroprudential Intermediation Ratio (MIR)	59.37%	72.95%
Low-Cost Funding Ratio	72.04%	70.89%
Liability to Equity Ratio	517.95%	483.49%
Liability to Asset Ratio	83.82%	82.86%
Compliance		
Percentage of Violation of Legal Lending Limit		
a. Related Party	0.00%	0.00%
b. Non-Related Party	0.00%	0.00%
Percentage Lending in Excess of Legal Lending Limit *		
a. Related Party	0.00%	54.56%
b. Non-Related Party	0.00%	0.00%
Minimum Reserve Requirement		
a. Primary Reserve Requirement - Rupiah **		
- Daily	0.50%	0.00%
- Average	7.41%	4.12%
b. Primary Reserve Requirement - Foreign Currency ***	4.18%	4.12%
Net Open Position (NOP)	1.63%	2.92%

* Excess of Legal Lending Limit was due to changes in regulation, POJK No.38/POJK.03/2019 regarding Changes on Financial Services Authority Regulation No.32/POJK.03/2018 concerning Legal Lending Limit and Provision of Fund for Commercial Banks. The Bank has prepared action plans in order to meet with prevailing regulations.

** Minimum Reserve Requirement for Rupiah currency as of December 2021 and 2020 referred to PADG No. 22/10/PADG/2020 and PADG No.22/4/ PADG/2020.

*** Minimum Reserve Requirement for foreign currency as of December 2021 and 2020 referred to changes in PADG No 22/2/PADG/2020.

2021 STRATEGIC ACTIONS

In 2021, PT Bank HSBC Indonesia ("the Bank") focused on continuing strategic priorities to grow sustainably:

- Formulated and continued the best solution to minimise the impact for clients severely affected by the COVID-19 pandemic and to capture opportunities upon the recovery.
- Improved the customer-centric focus and experience by leveraging our unique digital capabilities.
- Leveraged international network to maximise the opportunities in cross-border business corridors.
- Increased capabilities and expanded market share for the Bank's competitive strengths, in particular in the segment of Multinational Clients, Cash Management, Trade Finance, Wealth Management, FX Provider and Securities Services.
- Actively promoted business opportunities in Indonesia and captured investment opportunities and infrastructure projects as well as quality credit growth in all categories of assets.
- Attracted, educated, and maintained the existing talents, in addition to operational streamlining and strengthened oversight.

AWARDS IN 2021

- Best Retail Payment Project 2021 from The Asset
- Best Digital Wealth Management Experience 2021 from The Asset
- 1st in Best Wealth Management Bank in the category of Bank Buku 3 Rp5 – 30 trillion from Infobank Digital Brand Award 2021
- 2nd Best Product Brand Wealth Management from Infobank Digital Brand Award 2021
- Best Payment and Collection Solutions for Global Liquidity and Cash Management from The Asset Triple A Awards 2021
- Best Supply Chain Solution Garudafood for Global Trade and Receivables Finance from The Asset Triple A Awards 2021
- Best Supply Chain Solution Unilever Oleochemicals Indonesia for Global Trade and Receivables Finance from The Asset Triple A Awards 2021
- Marketing & Brand Initiative of the Year, HSBC Fusion from the Asian Banking & Finance Retail Banking Awards 2021
- Indonesia Trade Finance Market Leader for three consecutive years based on Euromoney Trade Finance survey
- Indonesia Best Trade Finance Service Leader for three consecutive years based on Euromoney Trade Finance survey
- Best Wealth Manager for four consecutive years from The Asset Triple A
- Best Customer Loyalty Program, HSBC Reward Point from The Digital Banker, Retail Banking Innovation Award 2021
- Credit Card of the Year, Jadi Juara Campaign from The Digital Banker, Retail Banking Innovation Award 2021

IMPORTANT EVENTS



25 August 2021

HSBC Indonesia Summit 2021

The Bank held the HSBC Indonesia Summit 2021 virtually on 25 August, with participations of 1,900 Corporate and Personal Banking clients, bringing the theme "Driving Indonesia's economy as ASEAN's growth powerhouse". The event underlined the commitment of HSBC in Indonesia as the go-to bank to support local corporates' growth agenda in Southeast Asia and globally. The Bank also showed employees the significance of international connectivity, considering Indonesia's position as Southeast Asia's largest economy and market with strong future growth potential.

The event presented HSBC Indonesia President Director Francois de Maricourt and ASEAN Chief Economist Joseph Incalcaterra. Representing the government as speakers were Coordinating Minister for Economic Affairs Airlangga Hartarto and Minister of Investment/Chairman of Investment Coordinating Board Bahlil Lahadalia.



28 November 2021 & 5 December 2021

The Return of Badminton – HSBC BWF Partnership Indonesia

In line with HSBC global objectives to promote inclusivity and accessibility, the Bank sponsored Indonesian badminton in cooperation with the Badminton World Federation and the Indonesian Badminton Association (PBSI). The event was held offline in Jakarta and Bali with strict health protocols, as well as digitally such as through online game.

On 28 November, the Bank held talkshow with former players Tontowi and Liliyana Natsir and watched together the Indonesia Open final match. On 5 December, another event was held with Tontowi and Liliyana to watch together the BWF World Tour final match.



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REPORT OF THE BOARD OF COMMISSIONERS



Martin John Haythorne
President Commissioner



The Board of Commissioners worked closely with the Board of Directors to develop the Bank's strategy for 2021 and the coming years. We made sure that the Board of Directors had formulated the right strategy, taking into account the Bank's capabilities and external conditions.

Respected Shareholders,

The global economy started to recover in 2021, as some countries had relaxed mobility restrictions and opted to mitigate the COVID-19 virus with vaccinations. The World Bank said that global growth would likely reach 5.5% in 2021, after a 3.4% contraction in 2020. However, the pace of recovery was still uneven, with emerging markets experiencing weaker recovery than advanced economies due to slower vaccination progress, more limited policy response, and the scarring effects of the pandemic.

After seeing a GDP contraction of 2.07% in 2020, Indonesia bounced back to record a 3.69% growth in 2021, supported by government stimulus and rising export proceeds from its two major commodities, coal and crude palm oil. The government's efforts to accelerate the vaccination programme and manage mobility restrictions also helped the economy return to a sense of "normalcy". However, private consumption, which used to be the main economic driver, was still weak as people grappled with reduced incomes.

The improving economic environment has also had a positive effect on the banking sector, which managed to book loan growth of 5.24% after seeing lending fall in 2020. In addition, the extension of the credit

restructuring policy allowed loans to remain healthy, with declining numbers of affected debtors. Indonesian banks remained sturdy in 2021, with strong capital and profitability.

Assessment of the Performance of the Board of Directors

Indonesia's economy improved in 2021, but the recovery was still uneven between economic sectors. This impacted loan growth, which remained sluggish in some sectors. Banks had to stay prudent when channelling loans to maintain fundamentals, especially as some debtors were still involved in the debt restructuring scheme.

Those external factors also affected HSBC Indonesia. The Board of Directors had designed moderate targets for 2021, which factored in the pandemic, achieving most of the targets. Capital-wise, the Bank was in a stronger position in 2021 than in 2020. The Bank also managed to reduce operating expenses. However, lending remained an issue due to weak demand and risk aversion.

Overall, we think that the Board of Directors did well in 2021, considering the volatile conditions. The Bank's fundamentals have remained strong, placing it in a comfortable position to capture future opportunities.

REPORT OF THE BOARD OF COMMISSIONERS

Supervision of Strategy Formulation and Implementation by the Board of Directors

The Board of Commissioners worked closely with the Board of Directors to develop the Bank's strategy for 2021 and the coming years. We made sure that the Board of Directors had formulated the right strategy, taking into account the Bank's capabilities and external conditions. In addition, we maintained discussions throughout the year to ensure the appropriate strategy implementation.

In 2021, the Bank aimed to grow the business sustainably while protecting its fundamentals, considering that the prolonged COVID-19 pandemic still weighed down the economy. It also strengthened the offered products and services, as well as streamlined and automated operations.

Frequency and Method of Advice to the Board of Directors

The Board of Commissioners communicated with the Board of Directors through both formal meetings and casual means, with the main objective of ensuring that the Bank would be able to meet the set targets. Amid the pandemic, the meetings were held in person with strict health protocols and online using secured channels. In 2021, the Board of Commissioners held 6 joint meetings with the Board of Directors.

View on Business Outlook

It is expected that 2022 will be a better year as many countries have begun to loosen pandemic-related restrictions. The Indonesian government has projected a growth of 5.2% in 2022, after booking a 3.7% growth in 2021. Bank lending has also improved in early 2022 due to higher customer demand, according to Bank Indonesia data.

We believe that HSBC Indonesia will perform better in 2022 than in 2021 as the Bank has sizeable liquidity, and the improving business conditions are likely to lead to higher working capital loans. In addition, our strong fundamentals and competitive strengths will help us execute the set plans, while our global network will support us in maximising cross-border opportunities.

Sustainability

Our values include creating "real impact on people's lives, communities and the planet" and "focusing on the sustainable interests of our customers, investors, and the planet we all share." We hold those values in mind when conducting business activities to ensure that our operations benefit both the people and the planet.

We are also committed to leading the transition to a net-zero economy by gradually reducing related-portfolio and supporting clients to make their transitions. This is a part of our global commitment to the environmental, social, and governance (ESG).

We understand the burden of the pandemic on individuals and businesses. The Bank has continued to lend a hand to support our clients in these challenging times, ensuring that they can grow sustainably along with us.

Corporate Governance

The Bank upholds good corporate governance (GCG) in all business activities, in compliance with the applicable laws and regulations, and in line with global best practices. The Board of Commissioners is of the view that the Bank is fully committed to implementing GCG, as reflected in the December 2021 self-assessment governance rating of 2 (Good). This rating means that the Bank has strong confidence in the shareholders and stakeholders.

Performance of the Committees under the Board of Commissioners

The Board of Commissioners is assisted by three committees: the Audit Committee, the Risk Oversight Committee, and the Nomination and Remuneration Committee. All delivered exceptional performance in 2021 to ensure that the Bank reached its targets. The Audit Committee held 5 meetings in 2021, while the Risk Oversight Committee held 4 meetings and the Nomination and Remuneration Committee held 5 meetings.

BOARD OF COMMISSIONERS



1	2	3
4	5	6

1. **Hanny Wurangian**
Vice President Commissioner and
Independent Commissioner
2. **Martin John Haythorne**
President Commissioner
3. **Mark Thomas Mckeown**
Commissioner

4. **Catherinawati Hadiman Sugianto**
Independent Commissioner
5. **Mark Trevor Surgenor**
Commissioner
6. **Umar Juoro**
Independent Commissioner

REPORT OF THE BOARD OF COMMISSIONERS

Changes in the Composition of the Board of Commissioners

There is a change in the composition of the Board of Commissioners since February 2022 where Matthew Kneeland Lobner's term of office as President Commissioner of the Bank has ended, and has been replaced by Martin John Haythorne effectively since 9 February 2022.

Name	Designation	Profile Summary
Matthew Kneeland Lobner	President Commissioner*	A 50-year-old US citizen. He joined the HSBC Group in 2005. He was appointed as President Commissioner in 2017, and his term of office as President Commissioner has ended as of 9 February 2022.
Martin John Haythorne	President Commissioner**	A 58-year-old British citizen. He joined Midland Bank in the UK in 1986 and following the acquisition by the HSBC Group, has worked for the group since. He was appointed as President Commissioner in 2021 and has effectively served since 9 February 2022.
Hanny Wurangian	Vice President Commissioner and Independent Commissioner	A 71-year-old Indonesian citizen. He owns a leading public accounting firm. He was appointed as Vice President Commissioner in 2000.
Mark Thomas McKeown	Commissioner	A 63-year-old British citizen. He has been with the HSBC Group for nearly three decades. He was appointed as Commissioner in 2015.
Umar Juoro	Independent Commissioner	A 62-year-old Indonesian citizen. He has a variety of experiences in the private and public sectors. He was appointed as Independent Commissioner in 2017.
Catherinawati Hadiman Sugianto	Independent Commissioner	A 57-year old Indonesian citizen. She has worked in the banking sector for more than three decades. She was appointed as Independent Commissioner in 2020.
Mark Trevor Surgenor	Commissioner	A 49-year-old British citizen, He has a variety of experience in the banking industry worldwide. He was appointed as Commissioner in 2020.

* His term of office as President Commissioner of the Bank has ended as of 9 February 2022

** Effectively serves as President Commissioner of the Bank since 9 February 2022

Appreciation

Representing the Board of Commissioners, I wish to thank the Board of Directors and all individuals involved in HSBC Indonesia for their effort during another challenging year. The Board of Commissioners also wishes to express its gratitude to the shareholders and stakeholders for their confidence, as well as the Bank's clients for their support. May we continue to grow together in the future.



Martin John Haythorne
President Commissioner

REPORT OF THE BOARD OF DIRECTORS



Francois de Maricourt
President Director



We leveraged our unique digital capabilities and global network to serve clients, while strengthening our competitive advantage in various segments, including cash management, trade finance, and wealth management.

Dear Shareholders and Stakeholders,

The overall general economic landscape improved in 2021 as the world returned to some kind of “normalcy”, supported by the high vaccination rates and easing mobility restrictions. Fiscal and monetary policies also helped stimulate the economy as well as the banking sector. HSBC Indonesia focused on increasing its performance while maintaining its fundamentals, as the economy remained volatile due to the COVID-19 outbreak.

Economic and Banking Conditions

The global economy began to recover in 2021 as governments worldwide accelerated vaccination programmes and created stimulus to drive growth. Although mutating COVID-19 variants caused outbreaks in early and mid-year 2021, the global economy managed to expand 5.5%, following a contraction of 3.4% in 2020. The US and Chinese economies saw strong growth, but emerging economies experienced weaker recovery due to slower vaccination programmes and the scarring impact of the pandemic.

The global recovery led to increasing trade and investment, with top commodity prices reaching record highs. This included coal and crude palm oil. The surge in prices benefited producers, including Indonesia. On the other hand, supply chain disruptions remained an ongoing issue, particularly as consumer demand increased during the year.

Indonesia also experienced economic recovery as the government extended its stimulus programme, allocating Rp745 trillion for the healthcare sector, social assistance, as well as micro, small and medium enterprises (MSMEs). This government spending managed to compensate for weak household consumption, which is usually the main driver of the economy.

The banking sector picked up, with loan growth reaching 5.24% after experiencing a decline of 2.41% in 2020. Loans remained healthy as the Financial Services Authority (OJK) extended the credit restructuring relaxation policy. The capital was strong, as indicated by a higher Capital Adequacy Ratio (CAR) of 25.67% per December 2021. Liquidity remained in surplus in the financial system as banks stayed vigilant in channelling loans amid the unpredictable conditions.

Indonesian banks also recorded better profitability in 2021, with higher Return on Assets (ROA) and Net Interest Margin (NIM). Total assets rose 10.18% to Rp10,112.30 trillion.

BOARD OF DIRECTORS





1	2	3
4		5
6	7	8
		9

1. Francois de Maricourt
President Director

2. Nisha Asha Bhambhani
Compliance Director

3. Stephen Whilton Angell
Director

4. Edhi Tjahja Negara Darmohusolo
Director

5. Dio Alexander Samsoeri
Director

6. Riko Adythia
Director

7. Eri Budiono
Director

8. James Rex Elwes
Director

9. Yardley
Director

Bank Performance

The Bank performed reasonably well in 2021 considering the external factors affecting the banking industry. HSBC Indonesia aimed to improve its performance while protecting its long-term fundamentals. We achieved most of the set targets, but lending remained an issue as debtors were still affected by the pandemic, causing difficulties in loan repayments. Total gross loans in 2021 declined 6.64% to Rp54.52 trillion, with gross Non-Performing Loans (NPL) ratio increasing to 4.64%. Working capital loans experienced the greatest decline.

We continued monitoring customers in the debt restructuring scheme to check their repayment capabilities, and remained on standby to provide support based on our risk tolerance. With prudent measures, we were able to keep our fundamentals intact, as reflected in the increase in CAR to 30.07% from 26.70% the previous year. The Bank also continued minimising operating expenses to increase its efficiency.

With excess liquidity in the market, the Bank managed to book a 18.36% increase in third party funds to Rp85.41 trillion, with a higher portion of low-cost funds at 72.04%. The faster increase in third party funds than that of loans caused the Loan to Deposit Ratio (LDR) to decline to 63.83%. This was mostly due to external conditions. NIM slid to 3.36% from 4.03% a year earlier.

Targets vs Achievements

Area	Target	Achievement
Loan Growth	0.69%	(6.64%)
Third Party Fund Growth	4.26%	18.36%
ROA	1.44%	1.53%
ROE	6.73%	7.61%
NIM	3.55%	3.36%
CAR	26.96%	30.07%
BOPO	83.60%	78.03%

Bank Strategy

HSBC Indonesia continued to focus its strategy on sustainable long-term growth. In 2021, the Bank's main priority was to formulate the best solutions for clients impacted by the COVID-19 pandemic, as well as to capture arising opportunities. We leveraged our unique digital capabilities and global network to serve clients, while strengthening our competitive advantage in various segments, including cash management, trade finance, and wealth management.

The Bank aimed to capture arising investment opportunities and infrastructure projects to grow its assets. Internally, we streamlined and automated operations and improved the capabilities of our talent to continue our progress.

Role of the Board of Directors in Formulating Strategy

Last year, the Board of Directors, along with the senior management, held intensive meetings and discussions to formulate the Bank's strategy for 2021. We assessed the Bank's capabilities and studied the external factors that would affect the economic landscape and the banking sector to ensure that the Bank's strategy would support its target achievement. The strategy is a part of the Bank's Business Plan (RBB), which was submitted to the OJK.

Strategy Implementation

The Board of Directors and the senior management worked to ensure that the Bank's strategy was implemented. The board also ensured that adjustments were made if required in line with the economic and business conditions. Feedback from the Bank's customers was evaluated to support the implementation of our strategy.

Overcoming Challenges

The COVID-19 pandemic still posed great challenges in 2021, with outbreaks in the early and middle of the year hampering economic growth as the government limited social mobility and business operations. The economy began to recover in 2021, but the recovery was still uneven across the board. Different recovery between sectors required the Bank to remain adaptable when managing its credit portfolio as well as fundamentals.

Our strategy for 2021 was designed to address these challenges and support the Bank as it navigated the year. The Board of Directors believes that the Bank managed to deal with most of the challenges as demonstrated by the achievement of most of the targets, despite the unfavorable operating environment.

Lending and Funding Rates

In 2021, the lending and funding rates were as follows:

Prime Lending Rate by Segment					Funding Rate in Rupiah
Corporate Credit	Retail Credit	Micro Credit	Consumer Credit		
			Mortgage	Non-Mortgage	
6.75%	9.50%	-	9.00%	-	-

Organisational Structure

The Bank's structure supports business sustainability, from operations to human resources. This allows the Bank to provide efficient and effective services and solutions for customers, as well as create an environment where employees can thrive.

Network and Business Partners

As a part of a global network, HSBC Indonesia combines international expertise and local know-how to deliver superior products and services to Indonesian clients. The HSBC network, which exists in 64 countries across the globe, has proven that it has local staff that can meet customer needs. In 2021, the Bank had 54 branches in 23 cities across Indonesia, with over 3,000 employees.

Share Ownership by Members of the Board of Directors and the Board of Commissioners

The Board of Directors and the Board of Commissioners did not hold any of the Bank's shares in 2021, as detailed in the Company Profile and the Good Corporate Governance sections.

Business Activities and Products and Services

As a bank, the main business of HSBC Indonesia is collecting funds from the public and lending funds to other banks or customers. Our products and services are categorised into three major segments: Wealth and Personal Banking, Commercial Banking, and Global Banking & Markets. More information about this can be found in the Company Profile section.

Material Changes at the Bank

There were no material changes at the Bank in 2021.

Commitment to Sustainable Finance

The implementation of sustainable finance at HSBC is based on POJK 51/POJK.03/2017 concerning the Implementation of Sustainable Finance at Financial Service Institutions, Issuers and Public Companies. This commitment is a form of the Bank's full support of the efforts to create sustainable economic growth through aligning economic, social and environmental interests.

As a follow-up, the Bank has prepared a sustainable financial action plan (RAKB) for a period of 5 (five) years, with the main objective of providing financing that will enable the transition to a low carbon economy and help clients manage the risks associated with the transition process. Sustainable financing activities include providing credit and loan facilities, as well as consulting services and access to the capital market.

The information contained in the RAKB, includes:

1. Training and education.
2. Leading and establishing a debate forum on sustainable finance and investment activities.
3. Transition risk.
4. Sustainable operations.
5. Improving and promoting sustainable investment products.
6. Actively engaging clients in high carbon sectors to assist and support their transition strategy, and reviewing their approach to reducing greenhouse gas emissions.

Sustainability and Bank Response

Sustainable finance activities should include financing and investment activities that support the Sustainable Development Goals (SDGs), and in particular focus on the efforts to address the threat of climate change. Therefore, the Bank has developed standard operating procedures that outline the integration of social, environmental, and governance risks into business activities in the priority sector of credit/financing.

In addition, the Bank has also conducted studies related to priority sector financing, the results of which will be used as guidelines in the development of sustainable financial products and / or services. In addition to preparing these norms, the Bank has also formed a working group to encourage the implementation of the RAKB. The working group has members from the business and support units.

Sustainable Finance Achievements in 2021

Although its business operations are not directly associated with environmental protection, the Bank is committed to promoting environmental preservation. The Bank's concern for environmental preservation is manifested through various activities, including the use of environmentally-friendly materials, namely the use of paper that has obtained a Forest Stewardship Council (FSC) certification, or paper that has been sourced from an environmentally-friendly and sustainably-managed forests.

The Bank has also provided special trash bins to enable its employees to sort garbage by type, including cans, paper, and plastic waste.

In addition, the Bank also makes social contributions. Among the programmes realised by the Bank in 2021 was the provision of oxygen cylinders to overcome shortages amid the surge in COVID-19 cases.

The Bank distributes the economic value to its stakeholders, including the Indonesian government through the payment of taxes and other obligations. In 2021, the amount disbursed by the Bank reached Rp384 billion.

Environmental, Social, Governance Elements

HSBC believes that our Environmental, Social, and Governance (ESG) performance is crucial to long-term success. We publish regular updates and set targets to guide our business activities, including increasing the representation of women in senior roles, improving customer satisfaction, and upholding high global standards of conduct.

We also have an environmental strategy to support the transition to a net zero global economy through providing sustainable finance, creating climate solutions and innovation, and meet global HSBC ambition of net zero carbon emission for operations and supply chain by 2020.

Risk Management

The Bank strives to ensure that its products and services have no negative impact on the environment, the society and the community. This commitment is realised to support the implementation of sustainable finance principles.

The Bank has also implemented a risk management policy to ensure that all business risks are identified, measured, managed and reported. This risk management system provides benefits in the form of increasing the trust of the shareholders and the public, and providing a more accurate picture of future performance.

The Bank has adopted the Equator Principles, which is a risk management framework that helps financial institutions assess and manage the social and environmental impacts of the large projects that receive its financial support.

External Conditions and Challenges to Achieving Sustainable Finance

The Bank realises that there are still challenges to implementing sustainable finance. Nevertheless, the Bank remains committed to actively supporting the implementation of the principles of sustainable finance.

HSBC is currently a member of the Indonesian Sustainable Finance Initiative (IKBI), a platform that aims to promote the adoption of sustainable finance at private financial institutions and help reduce environmental, social and governance risks, thereby jointly supporting a low-carbon economy.

In line with these efforts, the Bank also continues to strengthen its internal capabilities to increase its role in the field of sustainable finance. This is pursued through training of Bank employees on materials relevant to sustainable finance, as well as conducting various studies of the sectors that support sustainable finance.

Future Opportunities

The Bank's primary objective in the area of sustainable finance is to promote the transition to a low-carbon economy. Sustainable financing includes the provision of credit and loan facilities, as well as consulting services and access to the capital market.

Throughout 2021, the Bank made a number of important achievements, including mandated as Joint Bookrunner and Joint Green Structuring Advisor for the issuance of Government of Indonesia's 30-year Green Sukuk as part of a triple tranche deal which raised US\$3 billion. This is the longest tenor of any Green Sukuk ever issued globally. The funds will be used to support selected green projects under the government's Green Sukuk framework.

This achievement is an important manifestation of the implementation of the Bank's commitment to sustainability, opening up opportunities to contribute more in various sectors. The sectors that support sustainability include renewable energy, sustainable water and waste management, sustainable land use and climate change adaptation.

Business Outlook

The global economy is expected to experience slower growth in 2022, after a rebound in 2021, due to diminishing fiscal support and ongoing supply disruptions. The World Bank said the growth of advanced economies could return to the pre-pandemic level in 2023, but emerging economies might face more challenges due to the fallout from the pandemic.

The Indonesian government is confident that the country's growth can reach 5.2% in 2022, an increase from 3.7% in 2021, as investment and consumption could further improve. Bank lending continued to improve at the start of 2022, with OJK in January 2022 expecting a 7.5% growth for the full year. In April 2022, OJK revised the expectation of loans growth to 9%. Bank Indonesia has maintained the benchmark interest rate at a record low of 3.5% to continue stimulating growth, while OJK has extended the credit restructuring relaxation policy to March 2023.

HSBC Indonesia has set moderate targets for 2022, taking into account internal capabilities and external factors. We will remain vigilant in doing business, ensuring that our fundamentals remain strong to achieve long-term sustainable growth.

Good Corporate Governance

The Bank upholds Good Corporate Governance (GCG) in running its operations, complying with relevant laws and regulations and learning from best practices. Our GCG principles are Transparency, Accountability, Responsibility, Independence, and Fairness (TARIF). We believe that good governance is the key to obtaining the trust of the shareholders and stakeholders.

HSBC Indonesia periodically self-assessed its 11 GCG Implementation Evaluation Aspects. The assessments are grouped into a governance system consisting of three areas: governance structure, governance process and governance outcome. Our rating for 2021 was Good.

Human Resources and Technology

The pandemic has accelerated technology adoption in almost every sector, including banking. The Information Technology Department has upgraded the Bank's infrastructure to support its medium-term operations, ensuring smooth services despite the change in work trends associated with the pandemic. The Bank has introduced a hybrid work model, in which employees can work from home and the office in shifts.

We continue to build employee capacity through training. The pandemic has limited the employees' international exposure due to travel restrictions, but we have used e-learning and other digital tools to continually improve employee capabilities as a part of their career development.

Changes in the Composition of the Board of Directors

In 2021, the Bank appointed Yardley as a director, while Caecilia Pudji Widyarti stepped down from her position as a director.

Designation	Name
President Director	Francois de Maricourt
Director	Stephen Whilton Angell
Director	Dio Alexander Samsoeri
Director	Eddy Tjahja Negara Darmohusolo
Director	Eri Budiono
Director	Riko Adythia
Compliance Director	Nisha Asha Bhambhani
Director	James Rex Elwes
Director	Yardley

Appreciation

Representing the Board of Directors, I would like to thank the management and all employees for their efforts during the challenging year of 2021. I wish to express gratitude to the Board of Commissioners for their support and advice throughout the year. I also would like to extend appreciation to the shareholders and stakeholders, as well as our business partners and clients, for their confidence in the Bank. I hope that HSBC Indonesia will continue growing in the years to come.



Francois de Maricourt
President Director

STATEMENT OF THE BOARD OF COMMISSIONERS REGARDING RESPONSIBILITY FOR THE 2021 ANNUAL REPORT AND SUSTAINABILITY REPORT OF PT BANK HSBC INDONESIA

We, the undersigned, hereby declare that all information in the Annual Report and Sustainability Report of PT Bank HSBC Indonesia for the year 2021 has been presented in its entirety and that we assume full responsibility for the accuracy of the contents of the Company's Annual Report and Sustainability Report.

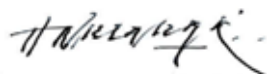
The statement is duly made in all integrity.

Jakarta, June 2022

Board of Commissioners




Martin John Haythorne
President Commissioner



Hanny Wurangian
Vice President Commissioner and
Independent Commissioner



Mark Thomas Mckeown
Commissioner



Umar Juoro
Independent Commissioner



Catherinawati Hadiman Sugianto
Independent Commissioner



Mark Trevor Surgenor
Commissioner

STATEMENT OF THE BOARD OF DIRECTORS REGARDING RESPONSIBILITY FOR THE 2021 ANNUAL REPORT AND SUSTAINABILITY REPORT OF PT BANK HSBC INDONESIA

We, the undersigned, hereby declare that all information in the Annual Report and Sustainability Report of PT Bank HSBC Indonesia for the year 2021 has been presented in its entirety and that we assume full responsibility for the accuracy of the contents of the Company's Annual Report and Sustainability Report.

The statement is duly made in all integrity.

Jakarta, June 2022

Board of Directors



Francois de Maricourt
President Director



Stephen Whilton Angell
Director



Dio Alexander Samsoeri
Director



Edhi Tjahja Negara Darmohusolo
Director



Eri Budiono
Director



Riko Adythia
Director



James Rex Elwes
Director



Nisha Asha Bhambhani
Compliance Director



Yardley
Director





COMPANY PROFILE

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COMPANY PROFILE

With the support of over 3,000 employees, the Bank provides banking services for Wealth and Personal Banking, 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 fulfil their hopes and dreams and realise their ambitions.






HSBC serves more than 40 million customers across the globe, from individual to major corporations, through three global businesses which are Commercial Banking, Global Banking and Markets, and Wealth and Personal 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 also facilitated a number of Indonesian companies to connect with global opportunities, supporting sustainability development in Indonesia and transition to net zero. Key deals in 2021 include:

- Mandated as Joint Bookrunner and Joint Green Structuring Advisor in the issuance of Government of Indonesia's 30-year Green Sukuk as part of a triple tranche deal which raised US\$3 billion. This was the longest tenor of any Green Sukuk ever issued globally at 30 years. Funds from the deal will support eligible green projects under the government's Green Sukuk framework.
- Acted as the Lead Arranger for US\$800 million bridging loan, of which HSBC contributed US\$140 million, to PT Pertamina Geothermal Energy to help support Indonesia expand its renewable energy, as part of its transition to net zero.
- Mandated as Joint Bookrunner, Joint Lead Manager and SDG Structuring Advisor for Republic of Indonesia's Inaugural SDG and first 40-year bond issuance under the recently published SDGs Government Securities Framework, a reflection of Republic of Indonesia's continuous journey towards sustainability development in the country.
- Mobilising finance to drive Net Zero Transition with clients (Allana, Metito Indonesia, Inocycle Technology, Ecopaper Indonesia, Euroasiatic).



HSBC Grup:

-  HSBC was founded in Hong Kong on 3 March 1865.
-  HSBC operates in 64 countries and territories.
-  More than 40 million customers bank with HSBC around the world.
-  HSBC employs 220,000 people around the world.
-  HSBC Group reported profits before tax in 2021 of US\$18.9 billion with total assets of US\$3 trillion.

- Supporting the extension of the National Strategic Project aimed at setting up infrastructure for 4G BTS across the country's archipelago, by providing a US\$130 million Bank Guarantee facility for Fiberhome.
- Brought together a group of international banks, an export credit agency and a multilateral development bank to anchor the financing for Indonesia's first national telecommunication PPP satellite project, SATRIA. This financing helped strengthen digital connectivity across Indonesia's 17,000ish archipelagos, and was certified as Social Loan by Sustainalytics.

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

About the Bank

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

Due to the turmoil in the Indonesian market, HSBC was forced to cease its activities during the Second World War and it re-opened when the war ended. After the closure of its business in the middle of 1960s, HSBC re-obtained a

new banking licence 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 Indonesia. PT Bank Ekonomi Raharja changed its name to 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 the first international bank given approval to integrate its foreign branch.

The Bank currently serves customers through 54 offices in 23 cities in Indonesia. With the support of over 3,000 employees, the Bank provides banking services for Wealth and Personal Banking, 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.

VISION, MISSION, AND CORE VALUES

VISION

Our purpose

Opening up a world of opportunity. We are here to mindfully use our unique expertise, capabilities, breadth and perspectives to open up new kinds of opportunities for our clients. We are bringing together the people, ideas and capital that nurture progress and growth, helping to create a better world – for our clients, people, investors, communities and the planet we all live, today and in the future.

MISSION

Our Mission

To be the preferred international financial partner for our clients, by putting our clients' needs at the very heart of everything we do every day, helping them to thrive and bounce back stronger post pandemic era. With HSBC, we are connecting Indonesia to the world and the world to Indonesia.

OUR VALUES

We value difference

- We were born speaking different languages. We were founded on the strength of different experiences, attributes and voices; they are integral to who we are and how we work.
- The greater our empathy and diversity, the better we reflect the worlds of our customers and communities – and the better we can serve them.
- So we champion inclusivity. We listen. We remove barriers. And we seek out views different from our own.

We succeed together

- We offer our customers a unique breadth of opportunity.
- And we can only deliver the full promise of this by being truly connected – across boundaries. With our customers and partners. Together as colleagues and as an organisation.
- So, we collaborate across boundaries. We trust and support each other.
- Together, we make possible what we cannot do alone.

We take responsibility

- What we do has a real impact on people's lives, communities and the planet. We take this responsibility seriously.
- We set ourselves high standards and are each accountable for our actions. We always use good judgement. And if something doesn't feel right, as colleagues we speak up and act.
- We build for tomorrow, today. We succeed only by taking the long view, by focusing on the sustainable interests of our customers, investors, and the planet we all share.

We get it done

- We create value for our customers and investors by always moving forward and making things happen.
- We're entrepreneurial: we try new things, we learn and improve, and we take smart risks.
- We're dynamic. We move at pace.
- We're decisive: we make clear choices and take bold actions.
- And we keep our word: we always do what we promise.

BRAND PHILOSOPHY

BRAND PERSONALITY



Our personality is born of the values and experiences of 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



Opening up a world of opportunity.

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.

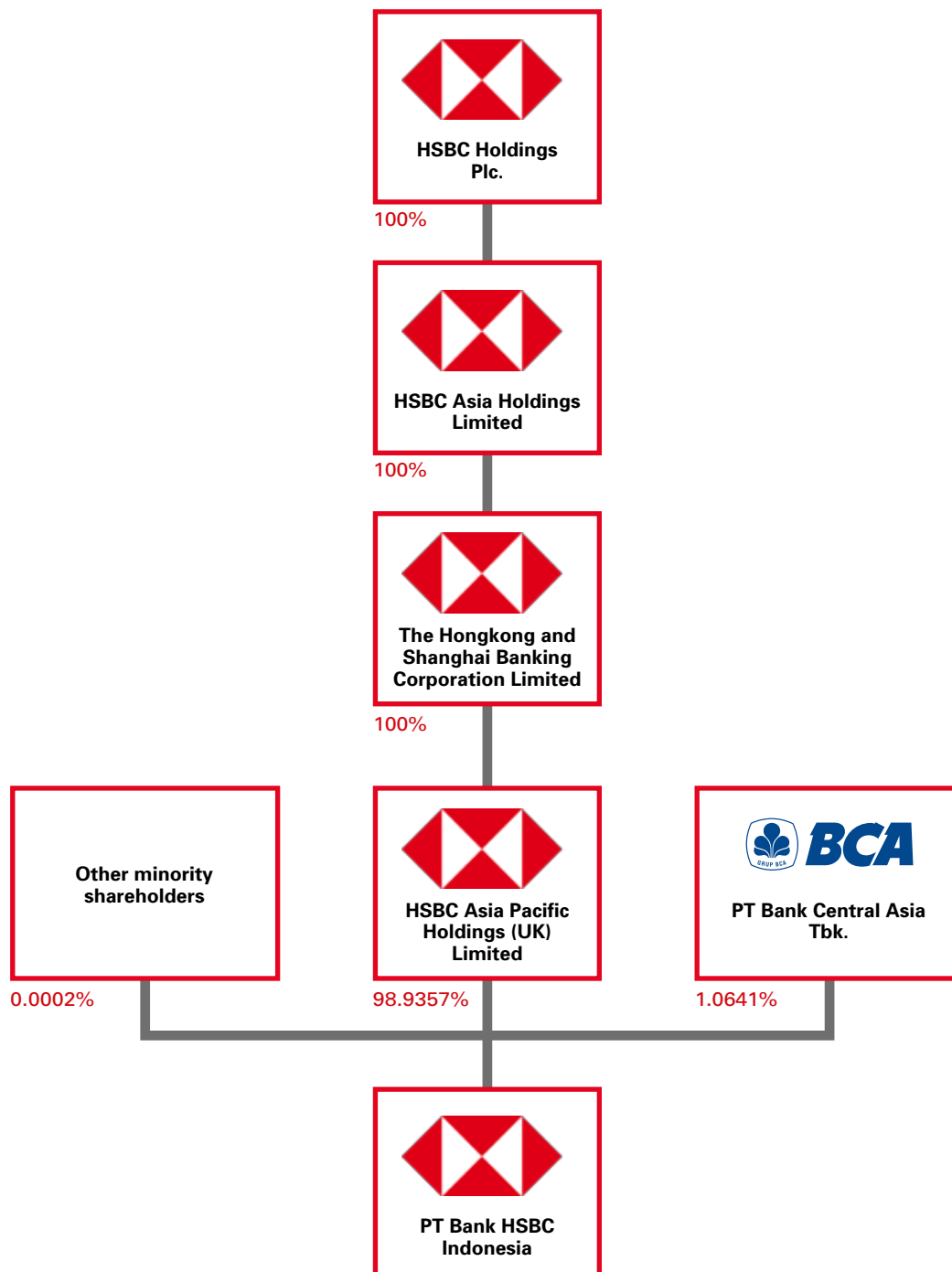
OUR COMMITMENT



- **Focus on our strengths**
We're focusing our energy and investments where we can make the greatest difference for our customers.
- **Digitise at scale**
We're putting the full power of our bank in every customer's pocket, with easier and more secure digital banking.
- **Energies for growth**
We're inspiring a dynamic and inclusive culture, and empowering our people by helping them develop future skills.
- **Transition to net zero**
We're leading the transition to a net zero economy by transforming ourselves, and supporting and financing our customers to make their own transitions.

SHAREHOLDING STRUCTURE

The shareholding structure of the Bank as of 31 December 2021:



SHARE OWNERSHIP

The composition of shareholders as of 31 December 2021 was 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%

PRODUCTS AND SERVICES

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

 <h2>Deposits</h2> <ul style="list-style-type: none"> Rupiah Current Account Rupiah and Foreign Currency Deposit Rupiah and Foreign Currency Savings Account HSBC High Rate Savings 	 <h2>Wealth Management</h2> <p>Investment</p> <ul style="list-style-type: none"> Mutual Funds Bond Structured Products <p>Insurance</p> <ul style="list-style-type: none"> Care Invest Plus College Care Optima Care Invest Future Care Joint Life Care Premium Wealth Assurance Ultima Wealth Assurance Optima Protection Assurance PASTI Credit Pro Plus Smart Traveler AXA Pro Medicare AXA Medicare Essential <p>Wealth Management</p> <ul style="list-style-type: none"> Growing Wealth Planning Children's Education Planning Retirement Planning Protection Planning 	 <h2>Credit Card</h2> <ul style="list-style-type: none"> HSBC Visa Signature HSBC Visa Platinum HSBC Platinum Cash Back HSBC Gold Card HSBC Premier MasterCard
 <h2>Loan</h2> <ul style="list-style-type: none"> 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 		 <h2>Markets</h2> <ul style="list-style-type: none"> Money Market-Loan & Deposit Repo - Reverse Repo FX - Spot FX - Forward FX - Swap FX - Option FX - Call Spread Option FX - DNDF Fixed Income - Government Bonds & Corporate Bonds - IDR & FX Derivatives - Interest Rate Swap Derivatives - Cross Currency Swap Dual Currency Investment

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 they do not contradict with any pertaining laws and regulations.



Securities Services

- Accounting and Valuation Services
- Transfer Agency
- Custodian Services



Global Liquidity & Cash Management (GLCM)

- 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
- Phone Banking
- Satellite Branches
- Trade Transaction Tracker
- Soft Token HSBCnet
- Digital Account Receivable Tools (DART)
- Omni Channel
- Liquidity Management Dashboard (LMD)
- Cash Flow Forecasting



Global Trade and Receivables Financing (GTRF)

Import

- Letter of Credit (Sight & Usance)
- UPAS & UPAU
- Import Documentary Collection
- Avalisation
- Shipping Guarantee

Export

- Letter of Credit Advising
- Letter of Credit Export Bills Negotiation
- Non-Recourse/Prompt Non-Recourse Export Bills Discounting
- Letter of Credit Transfer
- Letter of Credit Confirmation
- Export Forfaiting

- Export Documentary Collection
- Documentary Collection Financing
- Financing against Avalised/Co-accepted Bills

Trade Loans

- Pre-Shipment and Post-Shipment Seller Loan
- Pre-Shipment and Post-Shipment Buyer Loan

Structured Trade Finance

- Supply Chain Financing
- Receivables Finance

Bank Guarantee (BG)/Standby Letter of Credit (SBLC)

- Bid/Tender BG/SBLC
- Custom BG/SBLC
- Retention BG/SBLC
- Performance BG/SBLC
- Advance Payment BG/SBLC
- Financial BG/SBLC

Commodities and Structure Trade Finance

- Borrowing Base Facility
- Pre-Export Finance
- Prepayment Finance
- Warehouse Finance

Financial Institution (FI) Financing

- Export DC Reimbursement Finance
- Sustainable Finance
- Green Trade Loan
- Sustainable Supply Chain Financing
- Sustainable Trade Instrument
- Sustainability Linked Trade Loan

PROFILE OF THE BOARD OF COMMISSIONERS



Matthew Kneeland Lobner

President Commissioner*

United States of America citizen, 50 years old. Appointed as President Commissioner of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 18 September 2017 and his term of office as president director has ended as of 9 February 2022.

Obtained his Master's degree from Massachusetts Institute of Technology.

Matthew Lobner is Head of International, Asia-Pacific, and Head of Strategy and Planning, Asia-Pacific, HSBC. He joined the HSBC Group in 2005 from McKinsey & Company and has worked in various roles in the 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.

^{*)} His term of office as President Commissioner of the Bank has ended as of 9 February 2022.



Martin John Haythorne

President Commissioner Candidate*

British citizen, 58 years old. His appointment as President Commissioner was conducted in Extraordinary General Meeting of Shareholders (EGMS) resolution on 20 August 2021 and has effectively served since 9 February 2022.

He obtained a Degree in Banking and Finance (BSc) from Loughborough University, UK.

He joined Midland Bank, United Kingdom in 1986 and following the acquisition by the HSBC Group, has worked for the HSBC Group since. Within HSBC Group, his prior roles include Managing Director and Head of Client Management, Europe, Managing Director and Global Head of Credit and Lending, Managing Director, Co-Head, Global Banking, Asia Pacific, Managing Director, Global Head of Wholesale Credit & Lending and Chief Risk Officer, Asia Pacific of Asia Pacific Risk Management.

^{*)} Has effectively served as President Commissioner of the Bank since 9 February 2022.



Hanny Wurangian

Vice President Commissioner and Independent Commissioner

Indonesian citizen, 71 years old. Appointed as Vice President Commissioner of PT Bank HSBC Indonesia based on Annual General Meeting of Shareholders (AGMS) resolution on 8 December 2000 and has effectively served since 12 December 2000.

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

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



Mark Thomas McKeown

Commissioner

British Citizen, 63 years old. Appointed as Commissioner of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 28 October 2015 and has effectively served since 25 August 2016.

He obtained Associates of the Chartered Institute of Bankers (ACIB) from Liverpool School of Banking (Liverpool John Moores University) in 1981.

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. In September 2016 he was appointed as Group General Manager in his previous role as Chief Risk Officer, Asia Pacific covering the full range of Risk Disciplines for the Asia Pacific Region. In April 2020 he was appointed to a Group Head Office role – Group General Manager, Global Chief Corporate Credit Officer and Head of Wholesale Credit and Market Risk – and from June 2020 to November 2021 he also held the role of Interim Chief Risk Officer, Asia Pacific. In addition, he was appointed Director and Chairman of HSBC Bank (Taiwan) Limited in April 2015 and August 2019 respectively.

PROFILE OF THE BOARD OF COMMISSIONERS



Umar Juoro

Independent Commissioner

Indonesian citizen, 62 years old. He was appointed as Independent Commissioner in the Extraordinary General Meeting of Shareholders (EGMS) on 18 September 2017 and has effectively served since 18 May 2018.

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 an adviser of Barclays Capital Singapore from 2007 to 2009, adviser of Credit Suisse Singapore, 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.



Catherinawati Hadiman Sugianto

Independent Commissioner

Indonesian citizen, 57 years old. Appointed as Independent Commissioner of PT Bank HSBC Indonesia based on Annual General Meeting of Shareholders (AGMS) resolution on 30 June 2020 and has effectively served since 7 October 2020.

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

She started her career at KAP KPMG in 1989. In 1990, she joined PT Bank CIMB Niaga Tbk and worked for more than 22 years there and pursued various career fields: consumer banking, treasury, commercial, and corporate banking. Her recent position at PT Bank CIMB Niaga was Vice President Director.

Prior to serving as Independent Commissioner, she worked as Director of Commercial Banking at PT Bank HSBC Indonesia in 2016 and she was an Independent Commissioner at PT Bank Tabungan Negara Tbk.



Mark Trevor Surgenor

Commissioner

British citizen, 49 years old. Appointed as Commissioner of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 8 October 2020 and has effectively served since 23 March 2021.

He obtained his BA (Hons) Business Studies, Marketing from Sheffield Hallam University Business School (UK) and Master of Science International Marketing from Sheffield Hallam University Business School (UK).

His appointments in HSBC cover: Chief Executive Officer Sri Lanka and Maldives, Group Head of Wealth Management, Group Wealth & Personal Banking, Regional Head of Wealth Management, RBWM Asia Pacific; Regional Head of Wealth Business Performance, RBWM Asia Pacific; Head of Wealth Sales, HSBC Singapore; Head of Premier and Wealth, HSBC Mexico; Board Member, HSBC Asset Management Mexico SA; Regional Head of Wealth Products of Europe, HSBC UK (France-based).

His appointments in Lloyds Bank include Global Head of Products & Marketing of Lloyds International and Head of Marketing & Share Dealing, Lloyds Wealth (UK).

PROFILE OF THE BOARD OF DIRECTORS



Francois de Maricourt

President Director

French citizen, 50 years old. Appointed as President Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 27 February 2020 and has effectively served since 17 August 2020.

He has obtained a Post Graduate degree (DESS) in Banking and Finance from the University Robert Schuman and an MSc (Maitrise) in Economics from the University Paris Dauphine.

Francois has worked for HSBC Group for more than 25 years in various executive roles across Asia, Europe, the Middle East and Africa. His last role was Chief Executive Officer (CEO) - HSBC Bangladesh from 2014 to 2020.



Stephen Whilton Angell

Risk Management Director

British citizen, 55 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 and has effectively served since 20 April 2018.

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

His prior 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.

**Dio Alexander Samsoeri**

Finance Director

Indonesian citizen, 46 years old. Appointed as Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 28 May 2019 and has effectively served since 19 September 2019.

He obtained his Bachelor's Degree in Economics from the 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 Jakarta.

Prior to 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 at Siddharta, Siddharta & Harsono member firm of KPMG International.

**Edhi Tjahja Negara Darmohusolo**

Retail Banking & Wealth Management Director

Indonesian citizen, 52 years old. Appointed as Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 27 February 2020 and has effectively served since 26 June 2020.

He obtained Bachelor of Economics and Development Studies from Universitas Negeri Jember.

His prior roles include: Head of Network Sales Distribution Retail Banking & Wealth Management at PT Bank HSBC Indonesia; EVP Head, Sales & Distribution at BII Maybank; Region Head at Bank Permata; Region Head Up Country & National Sales Head, Branch Manager at ABN AMRO/RBS Bank; Commercial Relationship Manager and Senior Credit Officer at Bank Danamon.

PROFILE OF THE BOARD OF DIRECTORS



Eri Budiono

Commercial Banking Director

Indonesian citizen, 53 years old. Appointed as Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 17 April 2020 and has effectively served since 26 June 2020.

He obtained his Bachelor of Business, Banking & Finance from Monash University, Australia.

His prior roles include Global Banking Director at PT Bank Maybank Indonesia; Director, Corporate and Investment Banking at PT Rabobank International Indonesia; Director at Teak Capital Partners Singapore; Head of Corporate and Institutional Banking, HSBC Jakarta Branch; Head of Financial Institutional Group, HSBC Jakarta Branch; Vice President Corporate and Institutional Banking, HSBC Jakarta Branch; Assistant Vice President Special Credits Group, ABN AMRO Bank Indonesia; Asia Pacific Credit Analyst, ABN AMRO Bank Singapore; and Account Relationship Manager, ABN AMRO Bank Indonesia.



Riko Adythia

Global Banking Director

Indonesian citizen, 48 years old. Appointed as Global Banking Director of PT Bank HSBC Indonesia based on Annual General Meeting of Shareholders (AGMS) resolution on 30 June 2020 and has effectively served since 10 November 2020.

He obtained his Bachelor's Degree in Accounting from Padjadjaran University and Master of Business Administration from Booth School of Business, University of Chicago.

His previous positions include Head of Global Banking at PT Bank HSBC Indonesia; Managing Director & Country Head of Global Subsidiaries Group at Citibank Indonesia; Managing Director & Country Head Treasury and Trade Solution, Citibank Indonesia; Director/COO and Treasury Trade Solution Product Head, Citibank Indonesia; Director & Deputy Country CFO/Strategic Business Planning Head, Citibank Indonesia; VP Structured Trade Finance, Citibank New York; Cash Product Manager and several positions in Finance, Citibank Indonesia.



Nisha Asha Bhambhani

Compliance Director

Indonesian citizen, 44 years old. Appointed as Compliance Director of PT Bank HSBC Indonesia based on Extraordinari General Meeting of Shareholders (EGMS) resolution on 30 December 2020 and has effectively served since 22 February 2021.

She obtained her Bachelor's of Law from Padjadjaran University.

Her previous positions include Director Country Compliance of Deutsche Bank; Compliance Director of Bank of America; Executive Director, Country Head of Legal at JPMorgan Chase Indonesia; SVP Compliance, VP Compliance, AVP Compliance, HSBC Jakarta Branch; AVP Legal at Standard Chartered Bank Indonesia; Legal Manager at HSBC Jakarta Branch; Senior Associate Lawyer of DNC Advocates Indonesia.



James Rex Elwes

Operations and Information Technology Director

British citizen, 38 years old. Appointed as Operations and Information Technology Director of PT Bank HSBC Indonesia based on Extraordinary General Meeting of Shareholders (EGMS) resolution on 30 December 2020 and has effectively served since 30 April 2021.

He obtained his Bachelor's Degree in Business and Economics from University of Newcastle and Master of Business Administration from London Business School.

His prior roles include Country COO, HSBC Qatar; Deputy COO, HSBC Turkey Commercial Banking; Area Director for Business Banking in Western and Wales Region HSBC UK; Senior Strategy Analyst, HSBC Global Commercial Banking; Relationship Manager in Commercial Banking, HSBC Canada, and various other roles across Middle East, North Africa, and Asia Pacific.



Yardley

Human Resources Director

Indonesian citizen, 50 years old. Appointed as Human Resources Director of PT Bank HSBC Indonesia based on Annual General Meeting of Shareholders (AGMS) resolution on 30 June 2021 and has effectively served since 11 October 2021.

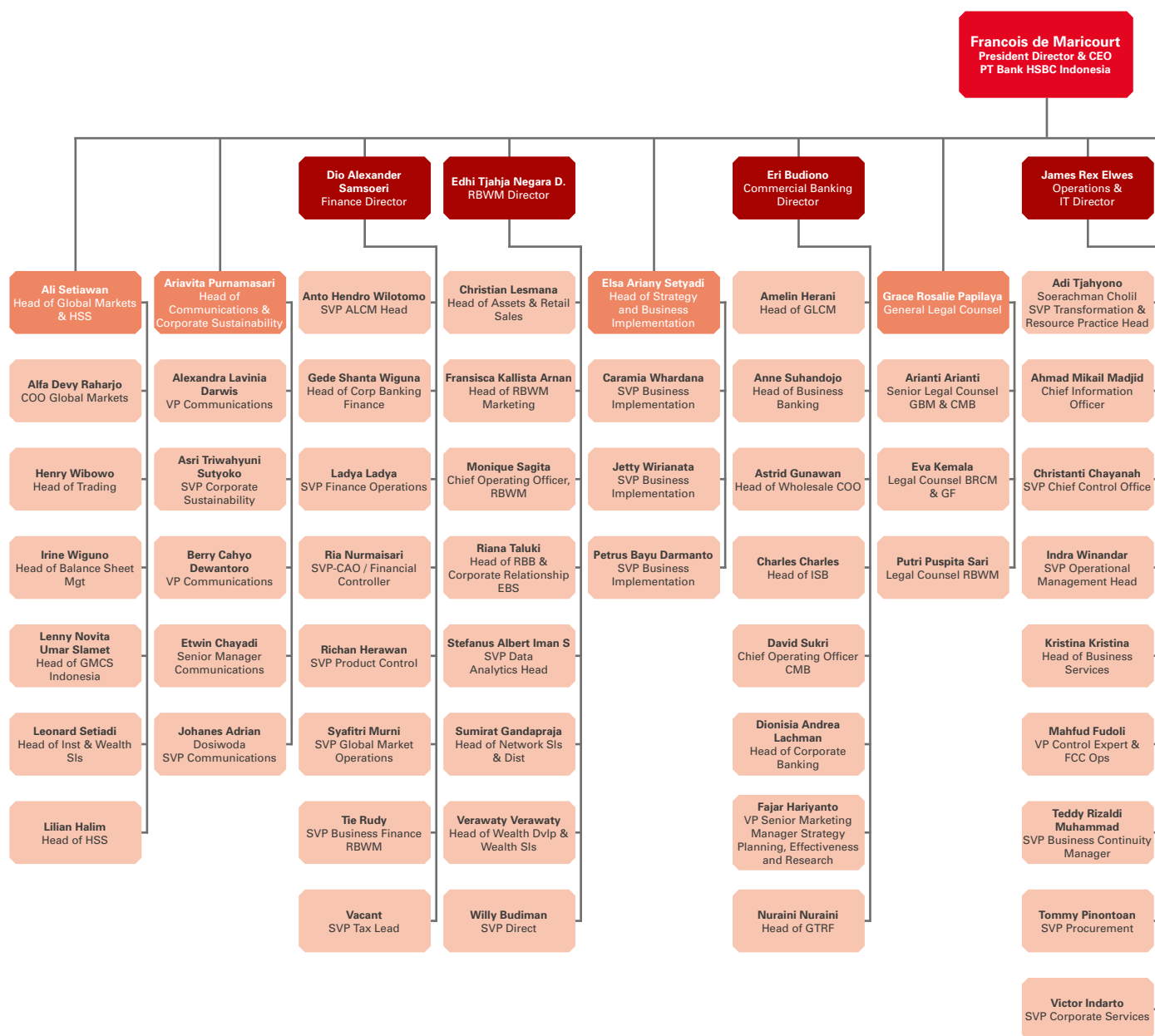
She obtained her Bachelor of Accounting from STIE Nusantara and Diploma from Tarumanagara University.

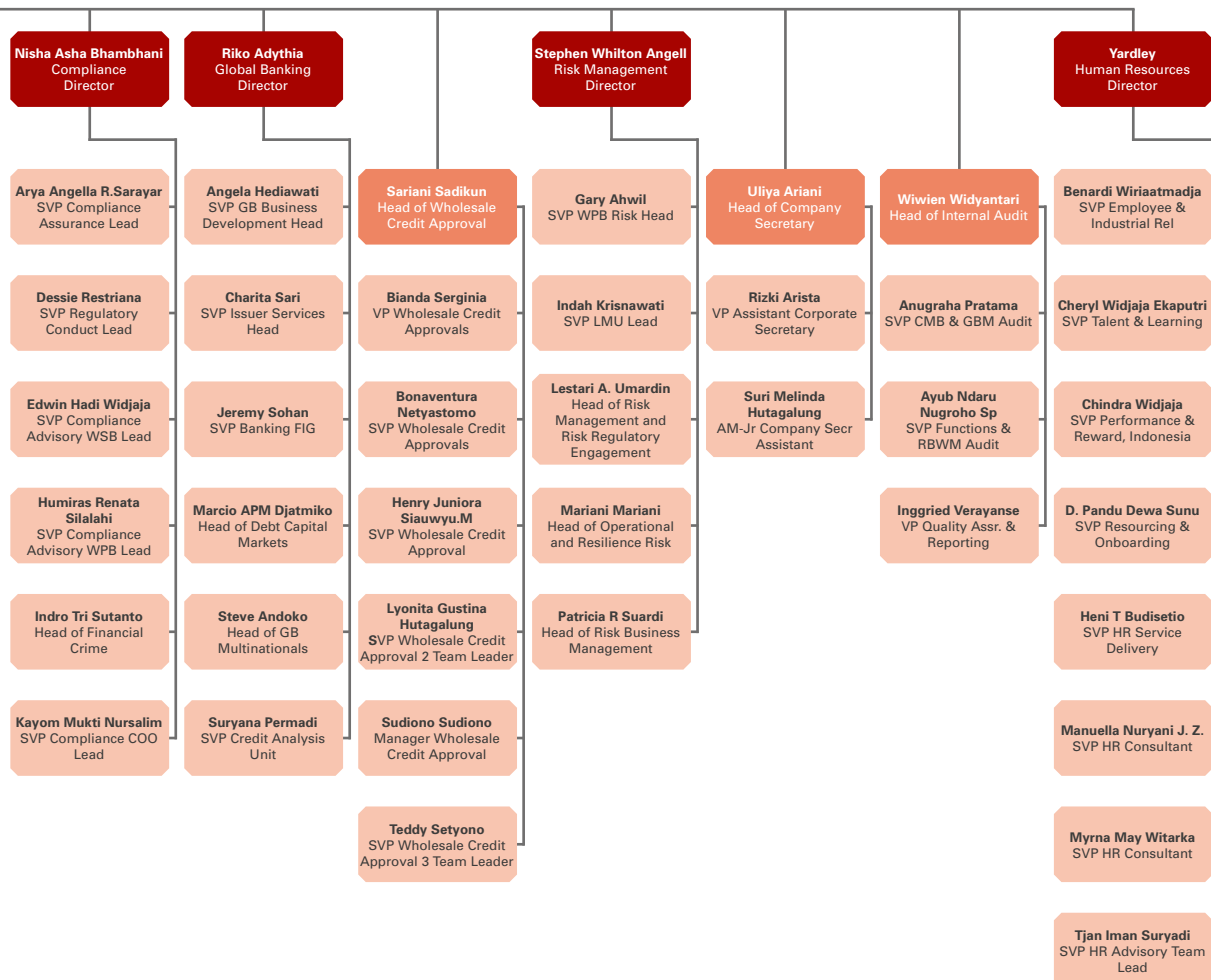
She has over 25 years of working experience, 16 year of which are in the banking industry. Prior to joining HSBC, she worked in Citibank Indonesia for six years - as the Country HR Officer in the last five years.

Her other experiences include: SVP Business Human Capital – Global Banking & Retail Banking (HRBP) at BII Maybank, SVP Support & Small Businesses HR Head at Bank Danamon, Head of Resourcing at Standard Chartered Bank and few other positions at PT John Clements Consultants Indonesia.

ORGANIZATION STRUCTURE

Organization Structure of PT Bank HSBC Indonesia as of 31 December 2021







MANAGEMENT DISCUSSION AND ANALYSIS

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ECONOMIC INDUSTRY REVIEW

Global Economic Review

After suffering a contraction in 2020, the global economy started to recover gradually in 2021 partly due to massive vaccination programmes and stimulus policies in many countries. The global economic recovery could be seen from increasing global trade volumes and commodity prices, the return of investment and business activities, as well as improvement in private consumption following easing restrictions on economic and social activities in a number of countries.

Despite the positive trend, the mutation of COVID-19 variants still posed a serious threat to the global economy, with governments worldwide speeding up vaccine distributions to curb the spread. Another notable issue arising during the pandemic was the disruption in the global supply chain, which triggered a spike in inflation in various countries due to higher material prices.

The World Bank estimated global growth surging 5.5% in 2021 as relaxation of pandemic-related lockdowns in many countries helped boost demand, versus a contraction of 3.4% in 2020. However, the global economic recovery remained uneven, with emerging economies having weaker growth as a combination of slower vaccination progress and the impact of the pandemic to their economies. China, EU, and the US saw strong growth in 2021.

The US economy grew 5.7% in 2021, the fastest since 1984, due to trillions of dollars of government stimulus despite slower-than-expected activities in the second half due to slowdown in private consumption and manufacturing. The EU managed to expand 5.0%, after a 6.4% slump in 2020, as strong policy measures cushioned the blow of the pandemic.

Meanwhile, China booked an 8.1% growth in 2021 GDP although suffering a downturn in the last quarter due to ongoing property slump and another COVID-19 outbreak. ASEAN also saw good recovery as countries provided accommodative economic policies.

Domestic Economic Review

Indonesia's economy recovered in 2021, growing 3.69% after a contraction of 2.07% in 2020. The government has accelerated vaccinations since early 2021, while allocating Rp745 trillion in stimulus to support the national economic recovery.

Indonesia benefited from the increase in commodity prices in the international market as the global economy recovered, with two major commodities, coal and crude palm oil, reaching record highs. The Central Statistics Bureau (BPS) said Indonesia's trade balance recorded a surplus of US\$35.3 billion in 2021. Weak household consumption, which usually acted as the main economic driver, was compensated by the government's social assistance and various tax incentives in stimulating the economy.

According to BPS, the healthcare and social service sector had the highest growth of 12.16%, followed by the transportation and warehouse sector at 7.93%. Manufacturing, which played a dominant role in the economy, grew 4.92%. The IHS Markit Indonesia Manufacturing Purchasing Managers Index showed overall sentiment in the manufacturing sector remained highly positive for 2022 despite the pace of recovery softening since November, as improving economic conditions in 2021 supported growth in manufacturing activity.

Despite the economic improvement, inflation remained in check. During the January-December 2021 period, inflation stood at 1.87%, below the government's and Bank Indonesia's target of around 3%. Seeing low inflationary pressures, Bank Indonesia tried to stimulate the economy by maintaining the benchmark BI 7-day

reverse repo rate (BI7DRRR) at record low 3.5%, after a 25 basis points cut in January 2021. At the end of 2021, the deposit facility rate stood at 2.75% and the lending facility rate was at 4%.

The Rupiah weakened 2.7% and closed at Rp14,278 per US dollar on 31 December 2021, within Bank Indonesia's estimate. Foreign capital inflows returned to the domestic financial market on confidence of economic prospects, reviving the Jakarta Composite Index (JCI) to hit a record high before closing at 6,581 on 31 December 2021. Indonesia saw some outflows as rising US Treasury yields triggered risk aversion. In 2021, Foreign Direct Investment (FDI) increased 8.47% to \$31.1 billion.

All in all, Indonesia saw encouraging signs in 2021. The government expected recovery to continue in 2022, aiming for a 5.2% growth in GDP, though the threat of further COVID-19 outbreak would remain a downside risk. The government has continued accelerating the vaccination rate to protect against the virus.

Banking Industry Review

In the banking sector, loan growth increased gradually to 5.24% at the end of 2021, after contracting 2.41% in 2020. Improving performance of small and medium enterprises as well as corporates helped boost lending. Loans remained at a healthy level, with the Non-Performing Loan (NPL) ratio steady at 3%, supported by the extension of the credit restructuring relaxation policy from the Financial Services Authority (OJK).

The rise of digital finance brought intense competition in the market, prompting banks to react by forming their own digital banks in facing challenges from financial technology firms. The internet economy nearly doubled in 2021, reaching \$70 million, according to research from Google, Temasek, and Bain & Co.

Consumer behaviour has also changed during the pandemic. People have shifted to digital channels and cashless payments, with less loyalty and higher expectations of financial services. These actions would impact banks in maintaining margins and loans.

Meanwhile, banks were flushed with liquidity as a number of projects got delayed. Third party funds grew 12.21%. Banks posted Rp140.21 trillion rupiah of net profit, an increase from Rp104.72 trillion in 2020. Total assets grew to Rp10,112.30 trillion from Rp9,177.89 trillion in the previous year.

Other indicators that showcased better performance of the banking industry were Return on Assets (ROA), which rose to 1.84% in December 2021, from 1.59% a year earlier; operating expenses to operating income, which improved to 83.58% from 86.58%; Net Interest Margin (NIM), which rose slightly to 4.51% from 4.45%. The Capital Adequacy Ratio (CAR) of the banking industry stood at 25.67% in December 2021, higher than 23.89% in 2020.

BUSINESS REVIEW

Wealth and Personal Banking

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

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

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

Personal Banking

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

To better serve and focus on the emerging affluent segment, the Bank has offered an updated HSBC Advance proposition to existing Personal Banking customers. The Bank continues to provide the best banking services while carrying out portfolio activities in a sustainable manner through various initiatives.

Throughout 2021, the Bank continued optimising its network to boost the growth of emerging affluent customers and strengthen the retail segment in various operational areas.

Personal Loan

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

The Bank's credit cards include HSBC Premier MasterCard, HSBC Visa Signature, HSBC Visa Platinum, HSBC Platinum Cash Back, and HSBC Gold.

The Bank provides credit card options with different proposition values as part of efforts to improve credit card penetration. During the process, the Bank expanded its strategic partners to boost the brand and credit card usage in various cities in Indonesia and widen the card acquisition network through online channels. It also improves penetration of banking products by targeting credit card customers and continuously offering Premier credit cards to strengthen the proposition of middle-upper class customers.

To enhance usage and customer loyalty, the Bank involves merchants and other strategic partners to provide programmes, services, and facilities related to instalment features or rewards points through HSBC credit cards.

Retail Business Banking

On Retail Business Banking (RBB), the Bank provides business loans with collateral up to Rp20 billion. The business loan schemes include Term Loan, Overdraft, and Revolving Loan.

Since March 2020, HSBC Retail Business Banking has rebranded its services to HSBC Fusion to support the SME segment to scale up their business. The Bank develops types and variations of banking products and services to reach other business owners in the operational areas of the Bank's branch offices.

Furthermore, to support customers' business goals, the Bank has completed the feature and proposition of RBB services by simplifying account opening and loan application process. RBB services are mainly aimed at HSBC Personal customers who have business needs.

In supporting the SME segment facing the COVID-19 pandemic, HSBC Fusion actively participated in supporting the National Economic Recovery (PEN) programme launched by the Ministry of Finance, through assistance and other stimulus programmes.

As of December 2021, HSBC Fusion has served more than 6,100 customers from the SME segment, with lending increased by 28% from 2020.

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 Investment (DCI). For insurance, the Bank offers Care Invest Plus, College Care, Optima Care Invest, Future Care, Joint Life Care, Premium Wealth Assurance, Ultima Wealth Assurance, Optima Protection Assurance PASTI, Credit Pro Plus, Smart Traveller, AXA ProMedicare, 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 2021, the Bank continued to improve the penetration of Wealth Management to middle-upper class customers by offering life necessities, including wealth management, children education planning, family protection planning, and pension fund planning.

The Bank continued to strengthen its established internal process, system, and infrastructure to have a healthy growth in Third Party Funds. The Wealth Management products cover mutual funds and various series of government securities, as well as bonds issued by State-Owned Enterprises (SOEs). The Bank also participated as a selling agent in government retail bond issuances in the primary market (such as retail bond and retail Sukuk) and in the secondary market.

To support Wealth Management business growth in 2021, the Bank held reviews and improvements pertaining to the process, system, and infrastructure related to investments.

Plans, Strategies, and Focus for 2022

The Bank responds to more intense individual banking business competition by formulating the following strategies for 2022:

- Expanding Wealth Management penetration to the upper-middle class customers by providing products that can fulfil life necessities.
- Expanding branch network to boost growth of the middle to upper customer 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 banking needs of the general public.
- Improving the penetration of credit card products by offering attractive acquisition programmes and various options with varied value propositions, as well as opening new acquisition channels through online and partnership.
- Expanding strategic partnership to improve brand awareness and card usage in various cities in Indonesia.
- Strengthening sales penetration to corporate clients in Indonesia by providing products for their employees through Corporate Employee Programme.
- Upgrading the quality of Internet Banking and Mobile Banking to provide more simple and user-friendly features, with capabilities for further development.
- Rebranding to HSBC Fusion and focusing on the SME segment to accommodate customer needs, both business and personal, with various facilities that support business activities and provide an integrated solution in the onboarding process, access to credit facility, and special service to the SME segment.

- Enhancing RBB product penetration through digital service enhancement, which provides business owners access and convenience in making transactions via Internet Banking, while increasing the number of transactions and revenue from Digital Banking.

Commercial Banking

In commercial service, the Bank offers full banking services to various corporate clients, starting from upper business banking to big corporates, including subsidiaries of our global and regional corporate customers. The banking services cover working capital loan, investment loan/project financing, foreign exchange and derivatives transactions, as well as trade finance and cash management facilities and services.

In 2021, the Bank continued its programme to become the “Bank of Choice for Corporate Customers” by collaborating closely with Global Trade and Receivables Finance (GTRF), Global Liquidity and Cash Management (GLCM), and Global Banking and Markets (GBM). To achieve this, the Bank focused on:

- Improving penetration into leading Indonesian companies and businesses.
- Strengthening local partnerships and targeting international customers in the Indonesian capital market.
- Coordinating with Global Banking and Markets (GBM) for cross-selling.

Trade Finance is one of the core services of the Commercial Banking Division. To maximise trade finance solutions, HSBC offers access to Subject Matter Expert (SME) to customers through the network of its Relationship Manager and trade business sales team.

The Bank offers supply chain solutions by continuing to improve special financing services in particular sectors, including infrastructure, automotive, FMCG, IT, and retail businesses. This is aimed at maximising the expansion of trade networks.

The Bank also helps maximise the potential of Indonesian companies through digital propositions, through commercialisation of the use of Blockchain for Letter of Credit transactions. This technology will help customers in running easier, safer and faster Trade transactions.

In line with the Bank’s strategy and values to support business owners in carrying out business transitions to a low carbon economy, HSBC continues to develop new propositions in Sustainable Trade Financing to support this ambition.

To help increase awareness of financial crime risk, HSBC has held webinars for customers to provide education and raise awareness of these risks, as well as ways to mitigate risks in their business activities.

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

HSBC’s Cash Management services offer various cash management solutions via digital and cutting edge technology to answer our clients’ evolving needs. The Bank also expands its network through partnerships with local banks and third parties, such as switching agents and collection agents.

All in all, the Commercial Banking division in 2021 saw challenging performance due to declining loan demand as a result of the COVID-19 pandemic.

COVID-19 Relief Programme for CMB Customers

The Bank fully understands the impact of COVID-19 pandemic on various industries and individuals. In line with the OJK guidelines on National Economic Stimulus, the Bank has offered incentives by giving loan extensions, particularly for trade products and working capital loans for customers affected by the COVID-19 pandemic. Throughout 2021, the Bank has provided payment relief worth Rp2.8 billion.

Plans, Strategies, and Focus for 2022

The Bank will continue to invest in digital technology development and utilise its strength as a leading international bank to grow Commercial Banking into a profitable and sustainable business in 2022. The focus will be placed on the following:

- Acquiring new customers on a big scale, particularly the Middle Market Enterprises and Business Banking segments.
- Maximising our international connectivity by participating in the Belt and Road Initiatives and intensifying engagement in various corridors to capture more foreign investment opportunities, including relevant business flow with multinational clients.

- Helping promote Indonesia as a foreign investment destination through HSBC Global network, in line with the Indonesian Government's effort to attract foreign investments.
- Capturing opportunities in new economic sectors.
- Strengthening the operations of financial and non-financial risk frameworks to minimise loan impairment losses and maintaining non-performing loan ratio within our Risk Appetite.
- Increasing corporate loan growth selectively in sectors that are less affected by the COVID-19 pandemic.
- Growing the Operating Account by promoting featured products that meet customer needs. By doing so, customers can be more confident in placing their funds in the Bank.
- Optimising Non-Funds Income (NFI) to compensate for lower Net Interest Margin (NIM) due to economic slowdown.
- Focusing on Trade Ecosystem initiative by capitalising customers' supply chain opportunities and strengthening collaboration between partners.
- Developing Structured Trade Finance solution through Receivables Finance & Supply Chain Finance and utilising digital capabilities in all trade transactions.
- Enhancing customers' banking experience satisfaction as reflected in better results of customer satisfaction surveys.
- Actively promoting and engaging in sustainable financing as part of our corporate responsibility to the community.
- Continuing to support the Government's economic recovery efforts through relief programmes for customers impacted by COVID-19.

Global Banking & Markets

In the Global Banking and Markets (GBM) segment, the Bank provides full banking services for varied customer bases, such as multinational companies, big local companies, financial institutions, including the public sector and government agencies. The Bank offers solution products and services, as well as international network capabilities supported by the best-in-class banking system. GBM also provides services for State-Owned Enterprises (SOE) as a continuous support for the country's development. The banking services include working capital loans, project financing, foreign exchange and derivatives transactions, as well as trade finance and cash management services. GBM customers are assisted by the Bank's relationship managers, who

also serve as a product specialist that provides financial solutions for each customer in strengthening the long-term relationships and supporting growth in Indonesia.

Global Banking

Despite facing challenges in 2021, the Bank managed to maintain performance amid pressures in margins as a result of lower interest rates and tighter competition against local and international banks. The Bank continued to adopt prudential principles to maintain credit quality.

The Bank promoted and enhanced ecosystem solutions by providing one-stop banking solutions through collaborations with other business segments (Corporate Banking/CMB and Markets) in a bid to support sustainable customer growth.

The Bank participated in supporting ESG financing by leveraging its financing capabilities. Throughout 2021, the Bank successfully participated in social lending and green bond issuance. The Bank also continued to improve bankers' capability in ESG through focused-training and webinar.

During the COVID-19 pandemic, the Bank continued its support to customers by prioritising digital banking services to help customers find banking solutions.

The Bank focused on developing connectivity with Global Relationship Bankers for the main corridors, such as China, Japan, South Korea, the US, the UK and France, as well as Intra-ASEAN channel to support FDI and its growth in Indonesia.

In general, Global Banking delivered strong results in supporting both customers and the Government's key priorities, as well as building strong momentum to continue its growth in 2022.

Markets & Securities Services

The Markets & Securities Services division manages an integral part of the Bank's operations, balance sheet, and treasury & custodian services for local and international customers.

The Markets team covers a few desks which includes Trading, Markets-Treasury, Corporate Sales, and Institutional & Wealth Sales. The team provides complete product services and covers the needs of the Bank's franchise business, such as corporate, financial

institutions, and retail customers. The products offered include foreign exchange, derivative, fixed income, and other money-market products.

The Bank's business strategy in Markets focuses on franchise business collaborations that benefit customers and increase international connectivity by supporting cross-border activities related to featured products, such as GTRF, GLCM, and Securities Services.

At the same time, the Bank continues supporting the deepening and development of local financial markets, in line with the vision of Bank Indonesia and OJK. The Bank offers a wide-range of treasury instruments to help clients in managing market risk exposure, while supporting business operational needs at the same time.

Securities Services is also part of key strategies in Markets business. In Indonesia, we offer end-to-end services from sub-custodian, fund administration, and transfer agents. The services give assurances that assets of local and international customers are under good supervision and administration. In line with the Bank's sustainable commitment to support capital market transactions in Indonesia, Securities Services focuses to meet clients' needs by increasing assets and types of products that will be managed, investing in people and technology, and making efficient operations to ensure the quality of services.

Plans, Strategies, and Focus for 2022

The Bank is optimistic about 2022 and will continue to support customers with business strategies focusing on the following:

- Improvement in infrastructure-related and FDI-based investment, SOE transformation agenda, growth of digital financing institutions, growth of digital ecosystem and ESG.
- Growth in targeted clients through cross-selling that includes deepening relationships with existing customers, accelerating acquisition of new customers and elevating international business connectivity with focus on FDI and global supply chain.
- Boosting digital-based Flows and Transaction Banking (GLCM, GTRF, M&SS) transactions and the utilisation of unique financial transaction propositions in supporting global supply chain.
- Improving ecosystem and supply chain solutions through identification, connectivity, and penetration of key business growth sectors using data analytics.
- Building world-class talents and bankers by providing good training with structured curriculum to enhance skills and build a customer-centric organisation.



MARKETING ANALYSIS

Retail Banking

The Bank has a strong commitment to fulfil customers' needs, both individual and corporate, by providing various banking products and services.

For individual customers, the Bank offers two segments, HSBC Premier and HSBC Advance, giving customers the choice of financial services according to their needs.

HSBC Premier is a banking and wealth management service for upper-class customers that provides global benefits and exclusive services. HSBC Advance is aimed at helping emerging affluent customers as trusted partners to grow, without having to worry about their financial conditions.

The Bank also provides promotion programmes for HSBC credit cards to cater the lifestyle of cardholders. The Bank offers various benefits for HSBC credit card holders in shopping, dining, and travelling across the world. Another benefit for HSBC credit card holders is the cashback feature or reward programme by collecting reward points from credit card transactions, as well as point exchange in form of hotel vouchers, mileage programmes, shopping vouchers, or direct discounts in participating Instant Reward Merchants.

HSBC credit cards also offer several additional programmes for certain types of credit cards with the aim of increasing usage and customer loyalty. Throughout 2021, the Bank offered credit card promotion programmes with selected merchants, separated into six categories:

- Thematic Campaign that covers Chinese New Year, Ramadan, and Year-End Holiday Programme.
- E-Commerce online daily deals, discount and instalment programmes available in various e-commerce merchants on certain days.

- Home delivery dining and groceries programmes in form of discounts or cashback vouchers at various restaurants and supermarkets which cooperated.
- New programme online medical services, in cooperation with Halodoc apps. Services included virtual doctor examination, home delivery pharmacy, COVID-19 swab/PCR test reservation.
- In-person groceries shopping programme, such as discounts on certain days.
- Discount and 0% instalment programme for the category of home, electronic, handphone and computer.

The Bank also offers Personal Loans with competitive interest rates, quick approval, and maturity starting from 1 year to 5 years. This financing facility is aimed at helping customers to fulfil short-term financing needs.

The Bank also provides housing loans for customers with medium-term and long-term needs on property purchases or take over from other banks. The interest rates of HSBC housing loans are competitive, with easy approval and adjusted to the financial needs of customers.

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

In Indonesia, the Bank has branches in 23 cities, including Jakarta, Bandung, Semarang, Surabaya, and Medan. The Bank also has satellite branches in various shopping malls in Jakarta and Bandung to allow customers to do banking transactions on the weekend through a video

banking facility that connects every customer with Contact Centre. Customers can also access the Bank's services in more than 77,000 ATM Bersama networks and more than 100,000 ATM PRIMA networks.

Moreover, throughout 2021 the Bank conducted several marketing programmes for retail customers as follows:

Wealth Management

- Throughout 2021, the Bank held 36 educational events on Wealth Management & HSBC Banking Capabilities in cities where HSBC branches were located.
- In terms of investment, the Bank maintained partnerships with various strategic partners such as Investment partners, SOEs as well as the government in promoting and marketing various investment products such as equity mutual funds, corporate bonds, sukuk, government bonds, and IPO bonds.

Asset

- Continuing partnership with e-commerce, groceries, dining, home living and health through promotion programmes to strengthen spending in related merchants.
- Increasing product penetration to banking customers through product developments that can be enjoyed by Premier and Advance customers.
- Improving communication with banking customers on credit cards' offers and benefits to attract more customers to apply for credit cards.
- Opening new credit card acquisition channels through digital and strategic partnership.

Retail Business Banking (RBB)

- The Bank continues strengthening the brand HSBC Fusion specifically targeting the SME segment, and the HSBC Fusion proposition is aiming to help business owners to scale up their business and open up world opportunity through UKM outlook, business classes, webinars series.

- The Bank continues maintaining presence in digital and social media to promote HSBC Fusion. On top of that, partnership with e-commerce is initiated to reach wider small and medium business owners.

Commercial Banking and Global Banking

Throughout 2021, the Bank conducted several marketing activities for corporate clients:

- Developing presence in digital and social media as part of the initiative to digitalise the Bank's marketing activities to promote the Bank's digital capabilities and solutions. It began with a digital campaign by promoting Business Banking, which would be expanded to other segments and products in the coming years.
- Conducting a total of 25 webinars covering the Bank's capability and solution, market updates as well as social economic conditions.
- Sponsoring one of the flagship events in Asia targeting founders and investors in the technology community to showcase the Bank's digital capability and solution.
- Hosting HSBC Summit 2021, a series of virtual events that provided better understanding of Indonesia's latest economy, global investment outlook, and Indonesia's potential in the future.
- Conducting a special forum - In Conversation with Indonesia, in partnership with the Ministry of Investment/Indonesia Investment Coordinating Board (BPKM) to provide direct insights from the government's senior representative on the positive investment climate and opportunities, regulations, incentives, and ease of investment in Indonesia for potential investors in Asia, the US, and Europe.

FINANCIAL PERFORMANCE REVIEW

The financial performance review refers to the Financial Statement for the year ended 31 December 2021. The Financial Statement has been audited by Certified Public Accountant Firm Tanudiredja, Wibisana, Rintis, & Partners and received unmodified opinion in all material aspects, the Bank's financial position, as well as financial performance and cash flow for the year ended 31 December 2021, in accordance with the Financial Accounting Standards in Indonesia.

Financial Position	31 December 2021	31 December 2020	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Asset				
Cash	430	627	(197)	(31.42%)
Demand deposits with Bank Indonesia	8,418	4,252	4,166	97.98%
Demand deposits with other banks	3,363	3,741	(378)	(10.10%)
Placements with other banks	257	10,654	(10,397)	(97.59%)
Placements with Bank Indonesia	19,135	1,152	17,983	1,561.02%
Investment securities	21,121	17,861	3,260	18.25%
Financial assets held for trading	2,704	1,218	1,486	122.00%
Derivatives Receivables	203	671	(468)	(69.75%)
Securities purchased with agreement to resell	10,060	9,293	767	8.25%
Export bills	1,837	921	916	99.46%
Acceptance receivables	2,598	2,022	576	28.49%
Loans to customers - net	51,328	55,335	(4,007)	(7.24%)
Prepaid tax	850	1,005	(155)	(15.42%)
Other assets	1,068	2,604	(1,536)	(58.99%)
Properties and equipments	833	890	(57)	(6.40%)
Intangible assets	44	89	(45)	(50.56%)
Deferred tax assets	213	266	(53)	(19.92%)
Total Assets	124,462	112,601	11,861	10.53%

Financial Position	31 December 2021	31 December 2020	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Liabilities and Equity				
Liabilities				
Deposits from customers	85,407	72,160	13,247	18.36%
Deposits from other banks	5,940	4,492	1,448	32.24%
Liabilities at fair value through profit or loss	188	659	(471)	(71.47%)
Acceptance payables	2,602	2,047	555	27.11%
Income tax payables	19	182	(163)	(89.56%)
Accruals and provisions	422	414	8	1.93%
Other liabilities	2,014	4,278	(2,264)	(52.92%)
Borrowings	6,200	7,517	(1,317)	(17.52%)
Subordinated debt	1,069	1,054	15	1.42%
Employee benefits obligations	460	500	(40)	(8.00%)
Total Liabilities	104,321	93,303	11,018	11.81%
Equity				
Share capital	10,586	10,586	-	0.00%
Additional paid-in capital - net	258	258	-	0.00%
Other comprehensive income - net	351	470	(119)	(25.32%)
Retained earnings				
Appropriated	62	49	13	26.53%
Unappropriated	8,884	7,935	949	11.96%
Total Equity	20,141	19,298	843	4.37%
Total liabilities and equity	124,462	112,601	11,861	10.53%

FINANCIAL STATEMENT ANALYSIS

Total Assets

As of 31 December 2021, we had total assets of Rp124,462 billion, representing an increase of 10.53% or Rp11,861 billion compared to the total assets of Rp112,601 billion as of 31 December 2020. This increase was primarily due to higher customer deposits balance. The commercial surplus was primarily placed with Bank Indonesia that increased by Rp17,983 billion, and partly offset by a decrease of Rp10,397 billion in the amount of placements with other banks.

The Bank's total assets were dominated by loan disbursements to customers worth Rp51,328 billion (net), investment securities at Rp21,121 billion, and placements with Bank Indonesia at Rp19,135 billion.

As part of liquidity risk management and funding, the Bank has placed a surplus in commercial funds and maintained some of its assets in the form of liquid assets because if needed, they can be immediately disbursed any time.

The Bank managed around Rp62,784 billion of liquid assets in 2021. These assets were in the form of cash and demand deposits with Bank Indonesia and other banks, placement with other banks and Bank Indonesia, investment securities, as well as securities purchased with agreement to resell.

Description	31 December 2021	31 December 2020	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Liquid Asset				
Cash	430	627	(197)	(31.42%)
Demand deposits with Bank Indonesia	8,418	4,252	4,166	97.98%
Demand deposits with other banks	3,363	3,741	(378)	(10.10%)
Placements with other banks	257	10,654	(10,397)	(97.59%)
Placements with Bank Indonesia	19,135	1,152	17,983	1,561.02%
Investment securities	21,121	17,861	3,260	18.25%
Securities purchased with agreement to resell	10,060	9,293	767	8.25%
Total	62,784	47,580	15,204	31.95%

Loan to customers

The biggest composition of the Bank's total assets as of 31 December 2021 was loans to customer worth Rp51,328 billion (net), or accounted for 41.24%. Compared to a year earlier, the loan to customers fell by 7.24%. This decrease was primarily due to lack of demands in the market and increase competition for high quality assets.

On the other hand, as at 31 December 2021, the non-performing loans (NPL) ratio were 4.64% (gross) and 0.79% (net), versus 3.45% (gross) and 0.94% (net) respectively in 2020. This is mainly due to one distressed group debtor with a material credit balance was downgraded in 3Q 2021.

Investment Securities

Bank's Investment Securities as of 31 December 2021 reached Rp 21,121 billion, increasing 18.25% compared to 31 December 2020. The increment was in line with higher commercial surplus and part of Bank's liquidity and funding risk management.

Loan composition by type of loan

Type	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Working Capital Loan	41,033	75.27%	44,933	76.95%	(3,900)	(8.68%)
Consumer Loan	9,709	17.81%	9,392	16.08%	317	3.38%
Investment Loan	3,122	5.73%	3,368	5.77%	(246)	(7.30%)
Employee Loan	652	1.20%	701	1.20%	(49)	(6.99%)
Total	54,516	100.00%	58,394	100.00%	(3,878)	(6.64%)

Loans composition by economic sectors

Economic sector- gross	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Miliar	%
Business services	7,482	13.72%	6,683	11.45%	799	11.96%
Construction	3,832	7.03%	4,967	8.51%	(1,135)	(22.85%)
Transportation, warehousing, and communication	6,841	12.55%	6,214	10.64%	627	10.09%
Trading, restaurant, and hotel	7,867	14.43%	9,855	16.88%	(1,988)	(20.17%)
Industry	22,844	41.90%	23,417	40.10%	(573)	(2.45%)
Others	5,650	10.36%	7,258	12.43%	(1,608)	(22.15%)
Total	54,516	100.00%	58,394	100.00%	(3,878)	(6.64%)

Loan based on the classification of Bank Indonesia's Collectability

Collectability	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Miliar	%
Performing Loan	51,985	95.36%	56,380	96.55%	(4,395)	(7.80%)
Expedite	51,107	93.75%	54,791	93.83%	(3,684)	(6.72%)
Special Mention	878	1.61%	1,589	2.72%	(711)	(44.75%)
Non-performing loan	2,531	4.64%	2,014	3.45%	517	25.67%
Substandard	108	0.20%	282	0.48%	(174)	(61.70%)
Doubtful	42	0.08%	60	0.10%	(18)	(30.00%)
Loss	2,381	4.37%	1,672	2.86%	709	42.40%
Total Credit	54,516	100.00%	58,394	100.00%	(3,878)	(6.64%)
NPL Ratio – gross	4.64%	n/a	3.45%	n/a	1.19%	n/a
NPL Ratio – net	0.79%	n/a	0.94%	n/a	(0.15%)	n/a

Liability

Composition of Liabilities	31 December 2021	31 December 2020	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Deposits from customers	85,407	72,160	13,247	18.36%
Deposits from other banks	5,940	4,492	1,448	32.24%
Derivative payables	188	659	(471)	(71.47%)
Acceptance payables	2,602	2,047	555	27.11%
Income tax payables	19	182	(163)	(89.56%)
Accruals and provisions	422	414	8	1.93%
Other liabilities	2,014	4,278	(2,264)	(52.92%)
Borrowings	6,200	7,517	(1,317)	(17.52%)
Subordinated debts	1,069	1,054	15	1.42%
Employee benefits obligations	460	500	(40)	(8.00%)
Total Liabilities	104,321	93,303	11,018	11.81%

The Bank's total liabilities amounted to Rp104,321 billion as of 31 December 2021. The liabilities in 2021 were dominated by customer deposits at 81.87%.

Deposits from customers

Customer deposits reached Rp85,407 billion as of the end of 2021, rising 18.36% from 2020. This is a result of strong liquidity position especially from corporate customers. The incremental balance mainly derived from the new mandates, deployment of continuous excess cash from existing customers as well as the impact of seasonality.

The increase was contributed by higher balance of demand deposits, which stood at Rp45,585 billion. The ratio of Demand Deposits and Savings to Time Deposits was 72%:28%.

Deposits from Customers	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Demand Deposits	45,584	53.37%	35,871	49.71%	9,713	27.08%
Savings	15,946	18.67%	15,281	21.18%	665	4.35%
Time Deposits and On Call Deposits	23,877	27.96%	21,008	29.11%	2,869	13.66%
Total	85,407	100.00%	72,160	100.00%	13,247	18.36%

Demand Deposits

Based on currency, demand deposits in Rupiah had the largest contribution at 73.41% of the total, or Rp33,461 billion.

Currency	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Rupiah	33,461	73.41%	24,362	67.92%	9,099	37.35%
Foreign currency	12,123	26.59%	11,509	32.08%	614	5.33%
Total	45,584	100.00%	35,871	100.00%	9,713	27.08%

Savings

The balance of savings as of 31 December 2021 was Rp15,946 billion. A majority of savings was in foreign currency, or accounted for 53.29% of the total.

Currency	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Rupiah	7,448	46.71%	6,608	43.24%	840	12.71%
Foreign currency	8,498	53.29%	8,673	56.76%	(175)	(2.02%)
Total	15,946	100.00%	15,281	100.00%	665	4.35%

Time Deposits & On Call Deposits

The balance of time deposits and on call deposits as of 31 December 2022 was Rp23,877 billion.

Based on the contract term, time deposits were dominated by one-month period in 2021, which accounted for 66.75% of the total.

Maturity	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
1 month	15,938	66.75%	14,888	70.87%	1,050	7.05%
3 months	4,231	17.72%	3,289	15.66%	942	28.64%
6 months	3,044	12.75%	2,182	10.39%	862	39.51%
12 months	664	2.78%	649	3.09%	15	2.31%
Deposits on call	23,877	100.00%	21,008	100.00%	2,869	13.66%

Equity

The Bank's equity stood at Rp20,141 billion at the end of 2021, increasing by Rp843 billion or 4.37% from the previous year. The rise was in line with growth in the Bank's net profit. The increase in equity has given positive contribution to the Bank's capital, with the ratio of Minimum Capital Provision Requirement (KPMR) stayed at a healthy level at 30.07%.

Equity Composition	31 December 2021	31 December 2020	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	351	470	-119	-25.32%
Retained earnings:				
- Appropriated	62	49	13	26.53%
- Unappropriated	8,884	7,935	949	11.96%
Total Equity	20,141	19,298	843	4.37%

Statement of Profit or Loss and Other Comprehensive Income

Description	31 December 2021	31 December 2020	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Interest Income	4,772	5,307	(535)	(10.08%)
Interest Expenses	(1,255)	(1,433)	178	(12.42%)
Net Interest Income	3,517	3,874	(357)	(9.22%)
Fees and commission income	1,265	1,204	61	5.07%
Other operational income	1,151	1,751	(600)	(34.27%)
Impairment losses on financial assets - net	(748)	(1,717)	969	(56.44%)
Total operating income	5,185	5,112	73	1.43%
Total operating expenses	(3,328)	(3,338)	10	(0.30%)
Profit before tax	1,857	1,774	83	4.68%
Income tax expenses	(384)	(464)	80	(17.24%)
Net profit of the year	1,473	1,310	163	12.44%
Other comprehensive income/(loss)	(120)	384	504	(131.25%)
Total comprehensive income for the year	1,353	1,694	(341)	(20.13%)

Interest Income

Interest income fell by 10.08% or Rp535 billion in 2021, mainly due to lower credit balance as compared to 2020 as a result of lack of demands in the market and increase competition for high quality assets.

Interest Income	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Loan to customers	2,928	61.36%	3,857	72.68%	(929)	(24.09%)
Investment securities	1,250	26.19%	1,072	20.20%	178	16.60%
Securities purchased with agreement to resell	370	7.75%	292	5.50%	78	26.71%
Others	224	4.69%	86	1.62%	138	160.47%
Total	4,772	100.00%	5,307	100.00%	(535)	(10.08%)

Interest Expenses

Interest expenses amounted to Rp1,255 billion, dropped by 12.42% or Rp178 billion in 2021. This decrease was in line with lower interest expenses from borrowings and subordinated debt, which decreased by Rp129 billion, due to repayment of borrowing resulting to lower borrowing balance.

Interest Expense	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Demand deposits	205	16.33%	226	15.77%	(21)	(9.29%)
Saving accounts	117	9.32%	100	6.98%	17	17.00%
Time deposits and deposits on call	744	59.28%	808	56.39%	(64)	(7.92%)
Borrowings and subordinated debt	117	9.32%	246	17.17%	(129)	(52.44%)
Others	72	5.74%	53	3.70%	19	35.85%
Total	1,255	100.00%	1,433	100.00%	(178)	(12.42%)

Net Interest Income

The Bank managed to book net interest income of Rp 3,517 billion as of 31 December 2021. To maintain net interest income, the Bank has proactively reviewed its funding composition on a regular basis in a bid to control funding costs and maintain Net Interest Margin (NIM) at an optimum level.

Non-Interest Income

The Bank recorded lower non-interest income at Rp2,416 billion in 2021 mainly driven by lower trading income due to significant market volatility in first half of 2020 on top of lower fixed income performance this year.

Non-Interest Income	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Net fees and commissions income	1,265	52.36%	1,204	40.74%	61	5.07%
Other operating income	1,151	47.64%	1,751	59.26%	(600)	(34.27%)
Total	2,416	100.00%	2,955	100.00%	(539)	(18.24%)

Impairment Losses of Financial Assets - Net

The Bank's impairment losses of financial assets amounted to Rp748 billion in 2021. The improvement on the economic outlook resulted to lower Stage 1 and 2 impairment losses as the overlay booked during 2020 had been partially released during 2021, in addition to lower Stage 3 impairment losses.

Operating Expenses

The Bank's operating expenses amounted to Rp3,328 billion in 2021, represented a marginal decrease of 0.30% compared to last year. The biggest expense was for employees, which accounted for 50.30% of the total.

The Bank continuously strives to manage costs effectively and efficiently to support sustainable growth.

Operating Expenses	2021		2020		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Employees expenses	1,674	50.30%	1,730	51.83%	-56	(3.24%)
General and administrative expenses	1,315	39.51%	1,254	37.57%	61	4.86%
Depreciation expenses of properties and equipment	281	8.44%	296	8.87%	(15)	(5.07%)
Amortisation expenses of intangible asset	58	1.74%	58	1.74%	-	0.00%
Total	3,328	100.00%	3,338	100.00%	(10)	(0.30%)

Profit Before Tax

The Bank's profit before tax was at Rp1,857 billion in 2021. The amount was higher than the previous year mainly due to lower impairment losses and operating expenses, partially set off lower revenue as explained above.

Net Profit

The Bank recorded a net profit of Rp1,473 billion in 2021, increased by Rp163 billion or 12.44% from 2020, in line with the rise in profit before tax as explained earlier.

Statement of Comprehensive Income

The Bank recorded a comprehensive income of Rp 1,353 billion in 2021, decreased by Rp 341 billion from 2020, in line with higher net profit. Below is a statement of comprehensive income.

Description	31 December 2021	31 December 2020	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Net profit for the year	1,473	1,310	163	12.44%
Other comprehensive income:				
Available-for-sale investments				
- Profit/(Loss) during the year	(149)	380	(529)	(139.21%)
Remeasurements from post-employment benefits obligation:				
Actuarial (loss)/profit during the year	29	4	25	625.00%
Other comprehensive income/(loss), net of tax	(120)	384	(504)	(131.25%)
Total Comprehensive Income for the Year	1,353	1,694	(341)	(20.13%)

Statement of Cash Flows

Description	31 December 2021	31 December 2020	Fluctuation	
	Rp Billion	Rp Billion	Rp Billion	%
Cash from Operations	16,859	15,422	1,437	9.32%
Cash from Investment	(3,762)	(3,063)	(699)	22.82%
Cash from Funding	(2,084)	(8,703)	6,619	(76.05%)
Net Increase in Cash and Cash Equivalent	11,013	3,656	7,357	201.23%
Effect of Foreign Exchange Rate Fluctuation on Cash	164	(2,716)	2,880	(106.04%)
Cash and Cash Equivalent, January 1	20,427	19,486	941	4.83%
Cash and Cash Equivalent, December 31	31,604	20,426	11,178	54.72%

At the end of the 2021 period, the Bank recorded a final balance of cash and cash equivalents at Rp31,604 billion.

Cash Flow from Operations

Net cash from operations amounted to Rp16,859 billion, up from Rp15,422 billion in the previous year. The increase in cash from operations was due to cash flow from customer loans.

Cash Flow from Funding

Net cash from funding activities amounted to minus Rp2,084 billion in 2021. The negative cash flow was 76.05% lower than in 2020, due to subordinated debt repayments.

Cash Flow from Investment

Net cash obtained from investment activities was at minus Rp3,762 billion in 2021. The negative cash flow was 22.82% higher than in 2020, due to the increase in cash flow from maturing securities for investment purposes.

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 Intermediary Macroprudential Ratio (RIM), Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR). RIM reflects the amount of customer deposits and long-term loans used for providing financing to customers. The Bank's RIM ratio was 59.37% as of 31 December 2021.

The Bank also uses NSFR to monitor funding risks and LCR to monitor liquidity risks on a daily basis. As of 31 December 2020, the Bank's NSFR and LCR were at 215.24% and 297.15%, respectively.

Liquidity Ratio

Description	2021	2020
Intermediary Macroprudential Ratio (RIM) ^{*)}	59.37%	72.95%
Liquidity Coverage Ratio (LCR)	297.15%	648.89%
Net Stable Funding Ratio (NSFR)	215.27%	164.89%
Low-cost fund Ratio	72.04%	70.89%

The Bank also uses solvency ratio to measure its ability to meet all liabilities, by comparing these liabilities to total assets and liabilities to equity.

Solvency Ratio

Description	2021	2020
Ratio of Liabilities to Total Assets	83.82%	82.86%
Ratio of Liabilities to Equity	517.95%	483.49%
Leverage ratio	14.05%	14.61%

OTHER MATERIAL FINANCIAL INFORMATION

Ability to Repay Debt and Accounts Receivable Collectibility

Ability to Repay Debt

The Bank's ability to fulfil all obligations, including long term and short-term loans, is measured by liquidity and solvency ratio. Until the end of 2021, the Bank's ability to repay debt was categorised as good based on assessment from both ratios.

The Bank's liquidity level as measured by the ratio of loans to deposits (Intermediary Macroprudential Ratio/RIM) was 53.97%. The Bank will always maintain the balance between the funding needs and the provisions of funds. The Bank also diversifies its funding by securing long-term borrowings to support the Bank's liquidity.

The Bank's Capital-to-Adequacy Ratio (CAR) was at 30.07% in 2021. This indicated that the Bank's capital structure has the capability to balance credit, market, and operational risks, as the ratio is much higher than the minimum capital adequacy ratio set by Bank Indonesia, which is at 9%-10%.

Loan Collectability

The Bank's gross Non-Performing Loan (NPL) ratio as of 31 December 2021 was at 4.64%. The Bank's net NPL ratio was at 0.79%.

Capital Structure and the Management's Policy on Capital Structure

In calculating the capital requirement for 2021, the Bank referred to the Financial Services Authority Regulation No. 11/POJK.03/2016 on "Minimum Capital Provision Requirement for Commercial Banks", which was effective since February 2, 2016 and as amended by POJK No. 34/POJK.03/2016. The required capital set by the regulator is analysed in two tiers as follows:

- Core Capital (Tier 1), which consists of main core capital and additional core capital. Main core capital includes issued and fully paid-up capital, additional paid-up capital, general reserves, profit in previous years and current year (100%), as well as other comprehensive income, such as the potential profit/

loss from changes in fair value of financial assets in available-for-sale assets, from the difference in productive assets write-off based on applicable regulations, and from impairment losses of productive assets. Deferred tax assets and intangible assets are the main factors that can reduce Tier-1 capital. The Bank does not have additional Tier-1 capital.

- Supplementary Capital (Tier 2) includes subordinated debt and general reserves of productive assets based on applicable regulations.

The Bank's Risk-Weighted Assets (RWA) is calculated based on several requirements that reflect various level of risks related to assets and exposures that are not reflected in the financial statement. Based on the applicable regulations, the Bank must consider credit, market, and operational risks in measuring the Bank's RWA.

The management uses the capital ratio required by the regulator to monitor the Bank's capital. These capital ratios remain as industry standard to measure capital adequacy. OJK's approach to the measurement is primarily based on monitoring the relationship between the Bank's risk profile and the availability of capital. Banks are required to provide minimum capital according to their risk profiles.

The provision of minimum capital mentioned is stipulated as follows:

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

Several restrictions are also implemented for parts of capital that are required by regulators, such as Bank needs to have core capital (Tier-1) at the minimum of 6% (six percent) of RWA and the Common Equity Tier 1 at the minimum 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 applicable regulations as of 31 December 2021 and 2020 are as follows:

MINIMUM CAPITAL ADEQUACY

(in billion Rupiah, unless otherwise specified)

	31 December 2021	31 December 2020
Tier 1 Capital		
Share Capital	10,586	10,586
Additional paid-in capital	258	258
General reserve	63	49
Retained earnings	7,411	6,625
Profit for the period	1,473	1,310
Other comprehensive income	363	502
Negative differences between regulatory provision and allowance for impairment losses on productive assets	-	-
Non-earning asset provision that should be calculated	(94)	(64)
Deferred tax calculation	(213)	(266)
Other intangible assets	(44)	(89)
Tier 2 Capital		
Capital instrument such as shares, subordinated debts or others meeting the requirement of Tier 2 capital	1,069	1,054
General allowance for earning assets	712	800
Total Capital	21,584	20,765
RWA		
Credit risk	57,405	63,979
Market risk	1,465	1,733
Operational risk	12,900	12,044
Total RWA	71,770	77,756
Capital Adequacy Ratio	30.07%	26.70%
CET 1 Ratio	27.59%	24.32%
Tier 1 Ratio	27.59%	24.32%
Tier 2 Ratio	2.48%	2.38%
Capital Conversion Buffer	2.50%	2.50%
Countercyclical Buffer	0.00%	0.00%
Domestically Systemically Important Bank	1.00%	1.00%
Required Capital Adequacy Ratio	9% to less than 10%	9% to less than 10%
Required minimum CET 1 Ratio	4.50%	4.50%
Required minimum Tier 1 Ratio	6.00%	6.00%

The Bank calculates minimum capital based on the risk profile as of 31 December 2021 by using the risk profile position on 30 June 2021.

Based on the Bank's self-assessment, its 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 2021, the Bank's CAR was at 30.05%, which was much higher than the mandatory minimum capital of 9% to less than 10%.

Transactions Information with Affiliated Parties

Throughout 2021, there were no material transactions that can cause conflict of interest.

Details on the nature of relationship and type of transactions with affiliated parties as of 31 December 2021 were as follows:

Related party	Nature of relationship	Type of transaction
HSBC Bank Australia Ltd	Under common control	Demand deposits
HSBC Bank Canada	Under common control	Demand deposits, acceptance, other liabilities, and fees and commissions income
The Hongkong and Shanghai Banking Corporation Limited, (Thailand branch) Bangkok	Under common control	Demand deposits and other liabilities
The Hongkong and Shanghai Banking Corporation Limited, (Australian branches) Sydney	Under common control	Demand deposits and bank guarantee provided
The Hongkong and Shanghai Banking Corporation Limited, (Indian branches) Mumbai	Under common control	Demand deposits, acceptance, and bank guarantee provided
The Hongkong and Shanghai Banking Corporation Limited, (Japanese branches) Tokyo	Under common control	Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (New Zealand branches) Auckland	Under common control	Demand deposits
Hang Seng Bank Ltd	Under common control	Acceptance and call money
HSBC Bank plc	Under common control	Demand deposits, investment securities, other liabilities and derivative transactions
The Hongkong and Shanghai Banking Corporation Limited, (Singaporean branches) Singapore	Under common control	Demand deposits, acceptance, derivative transactions, other liabilities, investment securities, and bank guarantee provided
The Hongkong and Shanghai Banking Corporation Limited	Under common control	Demand deposits, acceptance, derivative transactions, call money, borrowings, investment securities, other liabilities, accrued expenses, bank guarantee accepted, and bank guarantee provided
HSBC Trinkaus and Burkhardt AG	Under common control	Demand deposits, acceptance, and bank guarantee provided
HSBC Bank Malaysia Berhad	Under common control	Demand deposits, acceptance, and bank guarantee provided
HSBC Amanah Malaysia Berhad	Under common control	Demand deposits
HSBC Asia Pacific Holdings (UK) Ltd	Parent company	Other liabilities, Subordinate debt, and bank guarantee provided
Dewan Komisaris, Direksi dan keluarga	Key management	Loans to customers and Deposits from customers
HSBC Bank USA	Under common control	Demand deposits, derivative transactions, and bank guarantee provided
HSBC Bank (China) Company Limited	Under common control	Demand deposits and acceptance

Related party	Nature of relationship	Type of transaction
HSBC France	Under common control	Demand deposits, bank guarantee accepted, and bank guarantee provided
HSBC Bank (Taiwan) Limited	Under common control	Demand deposits and acceptance

Dividend Policy

The dividend policy is determined through the approval of the Annual General Meeting of Shareholders (AGMS). In 2021, the shareholders approved the appropriation of the Bank's 2020 retained earnings amounting to Rp13 billion and distribute cash dividend amounting to Rp510.89 billion (Rp48.3 (full amount) per share) to shareholders who have the right to receive cash dividend. Dividend payment has been paid at the latest on 30 September 2021.

Employee Share Ownership Programme

During 2021, the Bank did not implement the employee share ownership programme.

Significant Changes in Laws And Regulations Affecting the Bank

In 2021, the Financial Services Authority (OJK) and Bank Indonesia (BI) issued new regulations and amendments, which affected the company's performance. There were 12 regulations, consisting of 3 OJK regulations and 9 BI regulations. These regulations have been socialised to the Bank's internal staff and specifically followed up by related parties, which are:

1. PBI No. 22/21/PBI/2020 dated 29 December 2020 regarding the Amendment to PBI No. 21/14/PBI/2019 regarding Foreign Exchange Export Proceed and Foreign Exchange Import Payment.
2. PADG No. 23/2/PADG/2019 dated 27 January 2021 regarding the Amendment to PADG No. 21/26/PADG/2019 regarding Foreign Exchange Export Proceed and Foreign Exchange Import Payment.
3. PBI No. 22/20/PBI/2020 dated 22 December 2020 regarding Consumer Protection of Bank Indonesia.
4. PBI No. 22/23/PBI/2020 dated 1 July 2021 regarding Payment System.
5. PADG No. 23/1/PADG/2021 dated 8 January 2021 regarding the Implementation of Government Bond Auction in the Primary Market.
6. PBI No. 23/5/PBI/2021 dated 2 June 2021 regarding the Monitoring System of Foreign Exchange Transactions against Rupiah.
7. PBI No. 23/6/2021 dated 1 July 2021 regarding Payment Service Providers.

8. PBI No. 23/7/PBI/2021 dated 1 July 2021 regarding Payment System Infrastructure Operators.
9. PBI No. 23/10/2021 dated 31 December 2021 regarding Money Market.
10. POJK No. 12/POJK.03/2021 dated 30 July 2021 regarding Commercial Banks.
11. POJK No. 13/POJK.03/2021 dated 30 July 2021 regarding the Implementation of Commercial Bank Products.
12. POJK No. 17/POJK.03/2021 dated 10 September 2021 regarding the Second Amendment to POJK No. 11/POJK.03/2020 regarding National Economic Stimulus as a Countercyclical Policy on the Impact of the 2019 Coronavirus Disease Spread.

Changes in Accounting Policies Implemented in 2021

Unless described below, the accounting policies has been implemented consistently, with the financial statement for the year ended 31 December 2021 has met the Financial Accounting Standards in Indonesia.

The Board of Financial Accounting Standard -Indonesia Institute of Accountants (DSAK-IAI) has issued revisions on the following accounting standards which were effective as at 1 January 2021:

- Annual improvements Statement of Financial Accounting Standard (SFAS) 1 "Presentation of Financial Statements";
- Annual improvements to SFAS 48 "Impairment of Assets";
- Annual improvements to SFAS 110 "Sukuk Accounting";
- Amendment to SFAS 55 "Financial Instruments" related to Recognition and Measurement (IBOR Reform Batch 2);
- Amendment to SFAS 60 "Financial Instruments" related to Disclosures (IBOR Reform Batch 2);
- Amendment to SFAS 71 "Financial Instruments" (IBOR Reform Batch 2);
- Amendment to PSAK 73 "COVID-19 related lease concession beyond 30 June 2021";
- Amendment to SFAS 22 "Definition of Business";

The implementation of these new and amended standards and interpretations are effective beginning 1 January 2021. Except for the changes as explained below, the implementation of the above standards did not result in substantial changes to the Bank's accounting policies and had no material impact to the financial statements for current or prior financial years.

Amendment to SFAS 71, Amendment to SFAS 55, and Amendment PSAK 60, "Interest Rate Benchmark Reform – Phase 2".

The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offered rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

BUSINESS SUPPORT REVIEW

HUMAN RESOURCES

Amid the pandemic, the Bank continued improving human resources capabilities, while prioritising employees' health and safety. The Human Resources Department (HR) adapted and aligned with market changes, particularly in the banking industry, to provide an exceptional experience for employees through continuous improvement of HR-related policies, governance, and risk management.

Employee Profile

The Bank's employees as of 31 December 2021 were 3,154, or 7.8% lower compared to the previous year.

The composition of human resources as of 31 December 2021 by education was as follows:

Composition of HR by Educational Level

Education	2021		2020	
	Number of Employees	Percentage	Number of Employees	Percentage
Doctoral Degree	3	0.10%	6	0.18%
Master Degree	276	8.75%	316	9.24%
Bachelor Degree	2,822	89.47%	3,033	88.71%
Diploma 3	8	0.25%	9	0.26%
Diploma 1	30	0.95%	47	1.37%
Senior High School	15	0.48%	8	0.23%
Total	3,154	100.00%	3,419	100.00%

In 2021, more than 98% of staff held Bachelor's degrees or higher, the same as the previous year. The Bank needs educated and qualified employees to continuously increase quality.

Composition of HR by Age

Age	2021		2020	
	Number of Employees	Percentage	Number of Employees	Percentage
18-30 years old	903	28.36%	1,037	30.33%
31-40 years old	1,315	41.69%	1,442	42.18%
41-50 years old	782	24.79%	807	23.60%
Above 50 years old	154	4.88%	133	3.89%
Total	3,154	100.00%	3,419	100.00%

In 2021, the employee composition was still dominated by the productive age and dynamic young generation. More than 70% of employees were under 40 years of age.

Composition of HR by Organisational Level

Level	2021		2020	
	Number of Employees	Percentage	Number of Employees	Percentage
Top Management	7	0.22%	7	0.20%
Middle Management	119	3.77%	128	3.74%
Lower Management	757	24.00%	811	23.72%
Staff and Others	2,271	72.00%	2,473	72.33%
Total	3,154	100.00%	3,419	100.00%

On average, a Manager supervised 5 or 6 staff. The ratio is close to the directive, which recommends a manager supervise 8 staff to ensure efficient and effective management.

Composition of HR by Employment Status

Employment Status	2021		2020	
	Number of Employees	Percentage	Number of Employees	Percentage
Permanent Employee	2,857	90.58%	3,055	89.35%
Contract Employee	297	9.42%	364	10.65%
Total	3,154	100.00%	3,419	100.00%

The number of contract employees declined 18.4% from 364 in 2020 to 297 in 2021, due to a large number of completed temporary jobs.

Composition of HR by Gender

Gender	2021		2020	
	Number of Employees	Percentage	Number of Employees	Percentage
Male	1,399	44.36%	1,536	44.93%
Female	1,755	55.64%	1,883	55.07%
Total	3,154	100.00%	3,419	100.00%

The composition of human resources by gender was relatively unchanged. The composition of female employees against male employees stood at 55.64% to 44.36%, and evidence that the Bank provides an extensive opportunity for female employees to pursue a career in the Bank.

Implementation of Remuneration Policy Including Material Risk Takers

In 2021, the Remuneration and Nomination Committee (RNC) completed the following activities and obtained recommendations from the Board of Commissioners:

- Completed the review of annual remuneration and performance for Commissioners, Directors, Head of Business and Functions, and all employees.
- Provided recommendation to the Board of Commissioners on the nomination of candidates of Operation & IT Director and Human Resources Director.

- Completed the review of the remuneration policy for Commissioners and Directors.
- Completed the review of HBID Strategic Priorities and Executive Performance Scorecards
- Completed the annual review of the Remuneration and Nomination Committee's Terms of Reference (ToR) and obtained approval from the Board of Commissioners.
- Completed the review of Material Risk Takers (MRT) rules, as part of the Remuneration Governance implementation as well as MRT identification process, which resulted in 9 individuals included in the MRT category for the 2021 performance.
- Completed the nomination review and provided recommendation for the appointment of new President Commissioner.
- Completed the annual performance assessment of the Board of Directors and all employees.

Performance Management

The Bank implemented an updated Continuous Performance Management (CPM) and introduced 'Continuous Feedback', a tool in HRDirect that allows managers and employees to send, request and receive feedback from other colleagues. In addition, the Bank also updated HSBC Behaviour Rating Guide to align with the Purpose and Values launched in early 2021. Toward the end of 2021, the Bank introduced the year-end performance management module under HR Mobile Application to support the seamless process of annual performance review and improve the employee experience.

Employee Recruitment

By the end of 2021, the Bank had recruited 563 staff, which consisted of 359 permanent staff and 204 direct contract employees. There were 9 critical roles hired in 2021, which included: 1 Director position (external source: Human Resources Director), and the rest were Middle Manager positions from various departments such as Global Banking, Central Managed Offices, Commercial Banking, Communications, Finance, and WPB.

In 2021, Recruitment and Onboarding (R&O) focused on improving customer experience, through these initiatives:

- Expediting and improving the staff onboarding experience for new hires through Welcoming Pack and New Joiner guidelines in order to make them feel engaged and proud to be part of the Bank.
- Satisfaction Survey from candidates achieved a score of 4.6 and from Hiring Manager 4.4 out of 5 in 2021.

Human Resources Development Strategy 2021

In 2021, the Bank continued to grow and HR strategy was focused on three (3) key areas:

1. Building managers' capabilities for the future.
2. Fostering an environment that is committed to well-being, diversity and inclusion.
3. Encouraging, understanding, and responding to employees' voice.

Training and Development 2021

The Bank regularly and continuously developed training and development programmes to improve employee competencies, both internally and externally, to support the achievement of the Bank's business strategy. Broadly the training and development programmes included hard skill/technical competencies, soft skill competencies, leadership education, and in-house training for specific fields of training. The programmes were grouped into:

- Specific business or role related to technical/functional competency:
Learning and development programme regarding specific competencies required by employees to perform their duties efficiently and effectively.
- Leadership competency:
Learning and development programme regarding leadership and managerial topics, for employees who are in structural/leadership roles.
- Regulatory compliance competency:
Learning and development programme regarding risk management, wealth management, capital market, insurance, treasury and compliance certification in accordance to the role of employees.
- General competency:
Learning and development programme regarding general competencies, which reflects the value and attitude that must be possessed by all employees. This programme includes training in the field of values and culture.

During the COVID-19 pandemic in Indonesia, and to ensure employees' health and safety, several training programmes in 2021 were postponed or cancelled. The Bank optimised training and development programmes through e-learning or virtually.

Seminar, Workshop, and Conference

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

- Introduction to the Future Skills Learning Programme.
- Training programme for new employees.
- Socialisation programmes, which were held internally and externally, covering products, processes, systems and procedures, policies and provisions.
- Introduction to the Corporate Culture and Leadership programme.
- Early talent identification programme for the best fresh graduates through the Global Graduate Programme (GGP) and Corporate Functions Graduate Programme (CFGF). Graduate Programme is one of the strategic programmes for the Bank to acquire potential talents of top university graduates. This programme is open and targets top tier university graduates to participate in a graduate special development programme for 18–24 months, where they would be given formal training, on the job learning and project assignment to support their career development.

Talent Management Programme

The talent management process is a process to prepare and develop talents that are ready to become successors to fill in critical positions at HSBC Indonesia. With good talent management and succession, it is expected that the Bank can sustain the best talents that are ready to fulfil the leadership pipeline.

Talent Management process are divided into 4 (four) main processes comprising:

- Talent Classification and Nomination
- Talent Assessment
- Talent Development
- Talent Review

Some of development programmes provided for talents throughout 2021 included:

- Accelerating into Leadership (AIL)
- Accelerating Female Leadership (AFL)
- Explore Programme
- Country Leadership Programme (CLP)
- Job Enhancement and Project Assignment

The Bank also promoted and empowered gender equality through Female Talent Development, along with the management succession. As of 31 December 2021, around 55% female employees were part of Senior Management.

Employee Assistance Programme (EAP)

Employee Assistance Programme (EAP) is one of the well-being programmes provided to all employees of HSBC Indonesia to support and provide information on how to manage financial well-being and mental health, also providing counselling services for employees and their dependents that are treated with the utmost confidentiality.

In 2021, the Bank held several EAP programmes, such as EAP Webinar Series, Online Standby Counselling and EAP E-Article.

In order to enhance employee competencies, the Bank held development programmes for 4,034 employees with a total training items of 55,297 in 2021.

Number of Employees	Number of Training Hours	Training Hours per Employee	Number of Training Items	Number of Trained Staff
3,348	60,412	18.04	55,297	4,034

Details of training items based on type of trainings are as follows:

Training Type	Training Items	Total Training Items
INTERNAL TRAINING:		51,160
Assessment	7,558	
E-learning	39,534	
Classroom	-	
Virtual Classroom	4,068	
EXTERNAL TRAINING:		4,137
Assessment	4	
E-learning	20	
Virtual Classroom	4,113	
Total		55,297

Training for the Board of Commissioners and Board of Directors 2021

To improve competencies and to support duties and responsibilities of the Board of Directors and the Board of Commissioners, members of the Board of Directors and the Board of Commissioners participated in several training programmes in 2021, including:

Training	Organiser	Time and Venue
Board of Commissioners		
2020 Market Conduct Risks	HSBC University	Feb 21
2020 Swap Dealer Non-Executing AP Training	HSBC University	Feb 21
Advanced Competition Law - Upperhand	HSBC University	Jan 21
An Introduction to Tax Transparency and Combating Tax Evasion	HSBC University	Sep 21
Anti Harassment and Discrimination Training	HSBC University	Apr, Jun 21
Authorised Spokesperson 2021 Media Spokesperson	HSBC University	Feb, Mar 21
Balance Sheet Reconciliation & Substantiation	HSBC University	Aug 21
Big Data and Artificial Intelligence – Senior Leaders	HSBC University	Mar 21
Combating Tax Evasion – Managing Staff and Suppliers	HSBC University	Sep 21
Country Leadership Programme	HSBC University	Jun 21
eMail Security and Phishing Recognition	HSBC University	Jan, Apr 21
Employee Bankruptcy or Composition with Creditors and Offence involving Fraud or Dishonesty	HSBC University	Nov 21
FCR4SL Classroom Exclusion Item	HSBC University	Jan, May, Jun, Aug, Sep, Nov, Dec 21
Global Mandatory Training - HSBC and Me	HSBC University	Jun, Sep, Oct 21
Hiring and Selection: Getting it Right	HSBC University	Feb, Aug 21
HSBC Indonesia (HBID) Interaction Model - Practical Guide Assignment Exclusion	HSBC University	Feb 21
Introduction to BCBS239	HSBC University	Aug 21
Introduction to Climate Risk	HSBC University	Nov 21
Making the Most of Customer Feedback	HSBC University	Feb 21
Model Risk Management - Navigating the Model Life Cycle: A Practical Guide for the Model Community	HSBC University	Mar 21
Risk Induction Attestation	HSBC University	Sep 21
Trusted Leader - Support Materials	HSBC University	Jan 21
Values Conduct and M	HSBC University	Jan 21
Vulnerable and Potential Vulnerable Customers	HSBC University	Nov 21
Working with the Board: QUICK REFERENCE GUIDE - How the Board Works	HSBC University	May 21
Working with the Board: QUICK REFERENCE GUIDE - CEO Duties and Responsibilities	HSBC University	May 21
Working with the Board: QUICK REFERENCE GUIDE - Principles of Corporate Governance	HSBC University	May 21
Working with the Board: QUICK REFERENCE GUIDE - Your Chair and Company Secretary	HSBC University	May 21
Working with the Board: QUICK REFERENCE GUIDE - Practical Issues	HSBC University	May 21
Working with the Board: QUICK REFERENCE GUIDE - CEO Duties and Responsibilities	HSBC University	Jun 21
Working with the Regulator: PODCAST – Regulation and the CEO	HSBC University	May 21
Working with the Regulator: QUICK REFERENCE GUIDE – Building a Relationship with the Regulator	HSBC University	May 21

Training	Organiser	Time and Venue
Working with the Regulator: QUICK REFERENCE GUIDE – Effective Dialogue with the Regulator	HSBC University	May 21
Working with the Regulator: QUICK REFERENCE GUIDE – Dealing with Regulatory Issues	HSBC University	May 21
WPB Climate Risk	HSBC University	Nov 21
Board of Directors		
1LOD HRR - Core 2021 Exclusion Item	HSBC University	Aug 21
2020 Market Conduct Risks	HSBC University	Jan, Feb, Jun 21
2021 The Revised Rule Volcker Awareness Training	HSBC University	Oct 21
2021 Data Distribution and Benchmarks	HSBC University	Nov 21
AB&C Policy Socialisation 2021	HSBC University	Sep, Oct 21
Advanced Competition Law - Upperhand	HSBC University	Jan, Feb, Mar, Jun 21
Authorised Spokesperson 2021 Media Spokesperson	HSBC University	Feb, Mar 21
Balance Sheet Reconciliation and Substantiation Refresher	HSBC University	Feb 21
Combating Tax Evasion – Managing Staff and Suppliers	HSBC University	Jun 21
Competition Law and Insider Risk	HSBC University	Apr, Jun 21
Compliance New Joiner Curricula Assignment Exclusion	HSBC University	Feb 21
Compliance New Joiner Induction Event VILT	HSBC University	Jun 21
Country Leadership Programme	HSBC University	Jun 21
CPT Briefing for GBandM - VILT	HSBC University	Feb, Mar 21
Discovery Event Global Induction	HSBC University	Feb, Jun 21
eMail Security and Phishing Recognition	HSBC University	Jan, Sep 21
FCR UAR and RFI	FCTM Investigation	May 21
FCR4SL Classroom Exclusion Item	HSBC University	Jan, Jun, Aug, Sep, Nov, Dec 21
Future Skills Navigation Tool	HSBC University	Aug 21
Future Skills: Virtual Facilitation: Part 1	HSBC University	Nov 21
Global Mandatory Training - Fighting Financial Crime	HSBC University	Feb, Jun, Sep, Oct, Nov, Dec 21
Global Mandatory Training - HSBC and Me	HSBC University	May, Jun, Jul 21
Global Mandatory Training – Living our Values	HSBC University	Dec 21
Global Sales Procedural Guide: Sales to Customers of CMB CMB and GB	HSBC University	Apr 21
Global Sales Procedural Guide: Sales to Clients of Global Banking Incl In Scope NBFi CMB & GB	HSBC University	Apr 21
Helios Review and Challenge Functionality Recording	HSBC University	Oct 21
High Risk Role Learning – Anti-Money Laundering Sanctions and Tax	HSBC University	Mar 21
Hiring and Selection: Getting it Right	HSBC University	Mar, Sep 21
HSBC Indonesia HBID Interaction Model - Practical Guide	HSBC University	Jul 21
Information Classification and Sharing	HSBC University	Dec 21
Inhouse Class Video Conference Refreshment UKMR Level V	Efektifpro	Sep 21
Introducing Helios	HSBC University	Oct 21
Introduction to Climate Risk	HSBC University	Oct, Dec 21
Introduction to Non-Financial Risk	HSBC University	Oct 21
Keamanan email dan Pengenalan Phishing	HSBC University	Feb, Mar, Sep 21
Manajemen Kearsipan – yang Perlu Anda Ketahui	HSBC University	Mar 21

Training	Organiser	Time and Venue
MANDATORY Post Course Assessment - High Risk Role Learning	HSBC University	Mar 21
Navigating the Model Life Cycle: A Practical Guide for the Model Community	HSBC University	Apr 21
Module 1: Helios Introduction	HSBC University	Feb, Mar 21
MSS Information Control Training	HSBC University	Jun 21
Personal Conflicts of Interest	HSBC University	Mar, Jun 21
Pembekalan Uji Kompetensi Manajemen Risiko Level V-LSPP	Efektifpro	Jan 21
Procurement Part 2: How to Manage Risk When Buying Goods or Services	HSBC University	Jun 21
Putting Customers First 2020	HSBC University	Jan 21
RBWM Digital Banking Explained	HSBC University	Nov 21
Remote Working	HSBC University	Jun 21
Risk Induction Assignment Exclusion	HSBC University	Feb 21
Succeeding with Purpose Senior Leader Workshop GCB 0-1 and Country CEOs	HSBC University	Apr 21
The Data Science Mindset - Virtual	HSBC University	Dec 21
Training Bahasa	Realia	Mar 21
Values Conduct and Me	HSBC University	Jan, Apr, Jun 21
Volcker Awareness Training 2020 The Revised Rule	HSBC University	Mar 21
Working with the Regulator: TRANSCRIPT Podcast – Effective Dialogue with the Regulator	HSBC University	Feb 21
Adapting & Sustaining Indonesia Banking in the Era of New Normal Covid-19	BSMR	Jan, Apr, Jun 21

Global Mandatory Training (GMT) 2021

Global Mandatory Training (GMT) helps employees understand our Global Principles, the cornerstone of who we are and how we operate. In particular, GMT looks at the key risks faced by the Bank and how to manage them effectively, so that the Bank can provide the proper outcomes for customers and stakeholders.

GMT Calendar 2021 Overview

Trimester 1/2021 April-June	Trimester 2/2021 August-October	Trimester 3/2021 November-December
HSBC and Me	Fighting Financial Crime	Living Our Values
Managing Risk at HSBC Sustainability Health, Safety and Well-being Data Privacy Cyber Security	Anti Money Laundering, Tax, Sanctions, Fraud and Anti-Bribery & Corruption	Values & Conduct Workplace Harassment
Assigned 13 May 2021 - Completed 12 July 2021	Assigned 6 September 2021 - Completed 5 November 2021	Assigned 01 December 2021 - Completed 28 January 2022

Financial Crime for High Risk Role Training Programme 2021

These are a series of modules designed to fulfil the learning requirements of employees in high risk roles. A high risk role involves activities with greater exposure to money laundering, sanctions and bribery, and corruption risks. As a result of this exposure, employees in high risk roles must develop and demonstrate the ability to identify, assess, manage and report financial crimes.

The Financial Crime for High Risk Role training programmes include:

- **AML and Sanctions (AMLS) for High Risk Role**

This training is mandatory for all AML High Risk Roles within the Bank and separated from the Global Mandatory Training (GMT) that all employees must take. The learning will help employees to effectively manage financial crime risk and provide the confidence and skills needed to identify and manage risks effectively in their roles. Both permanent and contract employees are required to complete the learning and post-course assessment. The e-Learning and post-course assessment are mandatory and

employees have 90 days to complete the assigned modules. In 2021, the AML and Sanctions for High Risk Role training programme consisted of 12 curriculums assigned to 1,667 employees from each business function with the percentage completion of 98.38% and the rest will complete the training in 2022.

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

This training programme consists of 2 curricula assigned to 171 employees from each business and function, and all of the employees have completed the assigned curriculars.

HSBC Leadership Training Programme 2021

The Bank has several flagship leadership training programmes, some of which are part of the HSBC University programme. In 2021, the number of employees participating in the programme were 48 employees.

Leadership Programme	Global Business	Global Functions	HOST	Jumlah
People Management Essentials	2	2	3	7
Hiring Essential	2	2	1	5
Coaching for Performance	2	2	4	8
Coaching for Performance People Management Toolkit	28	-	-	28
Total	34	6	8	48

Future Skills Learning Programme

The Bank has conducted research to identify critical skills that could enable employees and HSBC to be successful in the future. Identification includes both current and future-focused skills, which have been categorised for easy reference. In 2021, the Future Skills Learning Programme was available in 22 curricula, and the number of employees who completed the training were 1,054 employees.

Future Skills Curricula	Global Business	Global Functions	HOST	Total
Communicating with Impact	19	24	41	84
Connectivity	11	4	86	101
Creativity	9	7	64	80
Curiosity	8	7	48	63
Customer Engagement	35	5	35	75
Design Mindset	9	6	26	41
Growth Mindset	36	22	45	103
Interview Skills	8	9	13	30
Negotiation Skills	33	7	31	71
Presentation Skills	10	7	14	31
Resilience	12	17	27	56
Sense Making	20	9	23	52
Virtual Collaboration	5	13	12	30

Future Skills Curricula	Global Business	Global Functions	HOST	Total
The Hacker Mindset	8	8	36	52
The Data Science Mindset	20	14	9	43
The Developer Mindset	7	3	6	16
Social Intelligence	14	11	11	36
Business Writing	5	11	1	17
Influencing Skills	4	7	3	14
Prioritisation	4	4	6	14
The Data Science Mindset	16	21	6	43
Virtual Facilitation	-	2	-	2
Jumlah	293	218	543	1,054

COVID-19 Handling Training

To equip employees who would return to work from office during the new normal, the Bank provided special training called "COVID-19: Returning to Office" for 649 employees in 2021. The training ensured that employees would comply with health protocol standards in their workplace. This was a continuation from the previous year and a majority of staff have completed the training.

Banking Certification Programme 2021

To ensure compliance with the provision of the banking certification programme established by the Financial Services Authority (OJK), the Bank has conducted certification programmes as follows:

- **Risk Management Certification**

The number of employees who have been certified for risk management in accordance with their level of positions are 1,852 employees, and 203 employees have completed the refresher programme for risk management certification.

- **Treasury Certification**

Since 2017, OJK has required banks to implement the treasury certification in accordance with the provision of PBI 19/5/PBI 2017. In 2021, 26 Global Market employees have completed their treasury certification and 4 employees have completed the refresher programme.

- **WAPERD Certification**

WAPERD certification is a mandatory requirement for RBWM sales employees who market the mutual fund products. The number of new RBWM sales employees who have completed their WAPERD certificates in 2021 were 53 employees.

- **AAJI Certification**

AAJI certification is required for RBWM sales employees who market the bancassurance products. The number of new RBWM sales employees who have completed their AAJI certificates in 2021 were 33 employees.

- **WPPE Certification**

The number of employees who have completed their WPPE certificates in 2021 were 47 employees.

- **Payment Systems and Rupiah Management (SPPUR) Certification**

Referring to PBI No. 21/16/PBI/2019 regarding The Standardisation of Competencies in Payment System and Rupiah Management, the Bank has met the minimum requirement of PBK SPPUR certificate ownership, which has achieved 100% from the target for the year of 2021 with 271 certificates attainment from 153 employees in Operational Level.

Certification Programme	Business Functions					Total
	Commercial Banking	Global Banking & Markets	Retail Banking Wealth Management	HOST	Others LOB's	
Risk Management Certification						
Level 1	68	59	374	213	36	750
Level 2	205	66	257	117	70	715
Level 3	53	39	66	23	133	314
Level 4	10	5	11	3	31	60
Level 5	1	3	1	1	7	13
SMR Refresher Programme	44	25	38	40	56	203
Treasury Certification						
Level Basic	-	19	-	-	-	19
Level Intermediate	-	4	-	-	-	4
Level Advance	-	3	-	-	-	3
Treasury Refresher Programme	-	4	-	-	-	4
WAPERD Certification	-	-	53	-	-	53
AAJI Certification	-	-	33	-	-	33
WPPEP Certification	-	-	47	-	-	47
SPPUR Certification Operational Level	11	18	91	33	-	153

Training and Development Expenses 2021

Total expenses for training and development in 2021 stood at Rp37.67 billion, or 2.29% of total employee cost in 2021.

Description	2021
Realisation of Training Cost (Rp Million)	37,670
Realisation of Staff Cost (Rp Million)	1,647,222
Training Cost against Staff Cost Ratio (%)	2.29%

TECHNOLOGY & OPERATIONS

Strategy and Implementation in 2021

In 2021, the Bank continued developing its hardware, software and operational process to meet regulatory requirements, support business growth, reduce operating expenses, improve customer experience and risk management to the highest standards.

Digitalisation and Streamlining

The Bank continued to improve operational processes with automation, migration of customer transactions to electronic channels, mobile banking platform updates, and the use of digital signatures. The initiatives resulted in increased scalability of operational capacity, speed, accuracy, and service to customers as well as reducing operational risk.

The Bank enhanced the existing digital channel to support secondary bond market transactions and account openings via tablet for Retail Business Banking and to streamline the process by implementing API for custodian and clearing funds and bond issuances.

The corporate banking digital platform has implemented Commercialised Blockchain as a single and integrated platform that enables fully digital transactions.

Data on-shoring

In accordance with regulations, the Bank has complied by maintaining a Data Center onshore in Indonesia for the primary trading system in Global Market. For Card on-shoring, the Bank still continues the migration process, divided into two phases (database duplication & core card system migration), which will continue and is aimed to be completed by 2022–2023.

Compliance

The Bank continually ensures that data, systems, and processes complied with the latest regulations. To fulfil reporting requirements in financial crime mitigations, the Bank implemented integrated regulatory reporting into one platform by using standardisation metadata to have consistent data and prevent redundancy.

Risk Management

The Bank continued to invest in infrastructure and processes related to financial and non-financial risk management as explained below:

- **Money Laundering and Sanctions**

The Bank continued to invest in its capabilities to detect, deter and prevent financial crime. The Bank used a single platform as management information, intelligence database and workflow system utilised across the Bank's financial crime compliance investigation and intelligence.

- **Operational Resilience**

The Bank responded and adapted well from the COVID-19 pandemic by continuing to implement a hybrid working model, combining both work from home and work from office. The Bank also implemented new technology to support collaboration in a hybrid working environment.

The Bank continued updating various software and hardware, to ensure that internal and external services worked properly and securely.

Human Resources

The Bank remained committed to developing employee potentials by continuously providing internal or external training as well as adding insights of the international world.

The training balanced employees' soft skills and hard skills. Training was performed electronically during the pandemic such as HSBC University and video conference to maintain the health of employees. The Bank also cooperated with other digital platforms such as Degreed, LinkedIn Learning, Fit for Banking, and Coursera to provide opportunities for employees to learn online.

Plan and Strategy in 2022

Strategic Business Growth Plans

The Bank will continue to invest in technology infrastructure and data commercialisation capability to meet current and future business demand, including capitalising on onshore Cloud providers, by implementing an entity-wide data modernisation programme on Data Analytics.

Digitalisation and Streamlining

The Bank will continue to strive and optimise the use of technology. System development is performed in an integrated manner to provide sustainable, fast, efficient and high quality services to customers and staff, with skills, technology, and a working environment fit for the future.

Risk Management

The implementation of disciplined risk management is the key to protecting the risks that may be faced by the Bank. The Bank always conducts active controls and implements the Non-Financial Risk Framework.

The Bank keeps developing technology to improve system capabilities and risk mitigations. These include systems to detect and prevent financial crime, regulatory reporting automation to automate the remaining manual regulatory reporting, and cybersecurity system enhancement to protect system integrity and customer data.

Data on-shoring

In accordance with regulations, the Bank remains committed to maintaining a Data Center onshore in Indonesia. The Bank will continue the Card on-shoring process which is carried out in stages and aimed to be completed by 2022-2023.

Operational Resilience

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

Human Resources

The Bank remains committed to improve staff knowledge and skills through various training programmes, through e-learning (internal and external classroom training), development programme, mentoring talent, reward, recognition and leveraging the relationship with the HSBC Group to provide international exposure and knowledge sharing.

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

The Bank continues to apply Hybrid Working to ensure staff well-being as an opportunity to energise for growth by providing flexibility for individuals and choice in how and where they work, suitable to the roles and teams to work in.

Sustainability

The Bank aims to achieve Net Zero carbon emission in our operations and supply chain by 2030. The carbon emissions are generated by our Supply Chain, Energy Consumption and Travel.

For the 2030 ambition, the Bank has defined three strategy elements: reduce emission from direct operations, replace consumption with low carbon alternatives, and remove remaining emission by procuring high quality offsets.

RISK MANAGEMENT

RISK EXPOSURE AND CAPITAL

A. DETERMINING MODEL AND RISK PROFILE INTERACTIONS

Risk Appetite is the articulation of the level and types of risks that the Bank is willing to take in order to achieve its strategic objectives.

Risk Appetite enables senior management to optimally allocate capital, funding and liquidity to finance strategic growth within acceptable risk levels, while monitoring exposure and the cost impacts of managing risks, which may lead to sub-optimal performance and returns to shareholders, as well as to regulatory censure and reputational damage should exposures exceed the established thresholds.

In addition, the Bank has implemented various risk measurement parameters, both in measuring its risk level and other mechanisms accommodated in Risk Appetite Statement Monitoring.

Risk Appetite Statement is reviewed periodically at least once a year and approved by the Board of Directors and the Board of Commissioners. Monitoring of risk appetite is performed monthly and reported to the Risk Management Committee as well as periodically (quarterly) to the Board of Commissioners through Risk Oversight Committee meeting. Thus, control and mitigation efforts are part of the Bank's internal processes to maintain risk profile at safe level. Risk Appetite Framework is reviewed periodically to keep a consistent approach in defining, measuring, and managing as well as reporting risk appetite and risk tolerance and outlining roles and responsibilities in Three Lines of Defence (3LOD).

B. RISK GOVERNANCE STRUCTURE

Active Supervision by the Board of Directors and Board of Commissioners

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

(i) Risk Management Committee (RMC)

The risk management process is evaluated by the Risk Management Committee, who reports to Board of Directors on the activity, is responsible for the implementation and monitoring of overall risk management. This committee functions as governing body for the overall risk management of the Bank with focus on risk culture, risk appetite, risk profile, and alignment of risk management approach with Bank's strategic objectives.

The committee is chaired by the Risk Management Director and consists of members of the Board of Directors as well as executive officers with expertise in their respective fields, such as Risk Management (SKMR) and Legal. The Committee has full responsibility for the establishment and implementation of enterprise-wide risk management and ensure that all risks of the Bank are properly managed.

Authority and Responsibilities of RMC

- To get information, discuss, consider, and address material key risks and enterprise-wide key issues as well as common themes identified across the Bank;
- To perform assessment and provide recommendation to the Board of Directors with respect to risk management which at least covering: a) formulation of risk management policy, strategy, and guidance with its amendments, b) enhancement or improvement of risk management implementation based on evaluation, c) establish guidelines related to business decisions which deviate from normal procedures;

- To consider relevant reports and updates pertaining main issues and key risks of the Bank across all the three lines of defence, and to give commission to conduct further review where required;
- To promote and cascade 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

In the implementation of a comprehensive Integrated Risk Management in accordance to the regulations of POJK No. 17/POJK. 03/2014 on the Implementation of Integrated Risk Management for Financial Conglomeration, 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 entity which included in the Financial Conglomeration.

Integrated Risk Management Committee is chaired by Risk Management Director and consists of representatives from the Board of Directors who are appointed as members of the Main Entity, such as Compliance Director and Finance Director as well as executive officers with expertise in risk management (SKMR). Included in the membership are Directors or the designated representative of the entity included in the Financial Conglomeration (currently; PT HSBC Sekuritas Indonesia).

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 has provided an adequate mitigation against all risks faced by the Bank in conducting its

business. The Risk Oversight Committee also plays a role in overseeing the development, implementation of risk management policies, and providing input on risk management strategies that the Bank should implement. The Risk Oversight Committee is chaired by an Independent Commissioner appointed by the Board of Commissioners and can only act as Chairman of another committee under the Board of Commissioners. Committee membership consists of Independent Commissioners as well as independent parties with expertise in risk management and independent parties with expertise in finance.

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 Management Director and Risk Management Function
 6. Internal Audit
 7. External Audit
 8. Annual Report

Other Responsibilities of Risk Oversight Committee

1. 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.

2. 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 additional oversight as it may reasonably required regarding the effectiveness of the risk management functions.
3. 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.

C. RISK MANAGEMENT COMMUNICATION AND PROCEDURES

Adequacy of Risk Management Policies and Procedures

Overview on PT Bank HSBC Indonesia (HBID) 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 regulator's policy. Through various training and management standards and procedures, the Bank strives to develop risk management culture. The Bank also involves all employees so that they understand and participate in managing risks in accordance to their responsibilities.

Risk Culture Guiding Principles

The implementation of effective risk management through an establishment of HBID Risk Culture Guiding Principle ensures risk measurement, which is then reported, controlled and mitigated in accordance with the Bank's vision, mission and business strategy.

Moreover, HBID Risk Culture Guiding Principle is established to identify and analyse the existing risks within the Bank's operations in order to determine appropriate risk limits and controls, as well as monitor risks and compliance within the set limits.

Risk Culture

The Bank defines its risk culture as the collaborative attitudes, values and norms that shape the organisation behaviour. The approach in managing risk culture is

built upon a set of principles about culture and behaviour change. However, the culture is not static. As new challenges and opportunities emerge, the culture has to adapt to help us achieve our strategic outcomes.

The Bank consider risk culture as a way of looking at how the culture supports our ability to manage risk. A culture that is effective in managing risk and leads to fair conduct outcomes is one that supports and encourages Good Judgement, Speaking Up, and Accountability.

Three Lines of Defence

In order to strengthen Risk Culture, through HBID Risk Culture Guiding Principle that contain the concept of 'Three Lines of Defence' (last updated on 2021), the Bank put the focus on strengthening proactive risk management behaviour across the first line of defense and the second line of defense and become aware of their responsibility to carry out adequate risk management for Financial Risks and Non-Financial Risks.

Three lines of defence model includes Business and Functional units as the First Line of Defence, Risk Steward units (that establish risk management policy and performs oversight function on certain risk including Operational and Resilience 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 proactive risk management, including to fulfill existing compliance aspects of the working unit against applicable regulations and policies.

The First Line of Defence are business and function units that has a responsibility to become risk and control owner and applies proactive risk management in their daily activities. This concept was introduced to 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 is all function units that have policies related to risk management and conduct comprehensive oversight over certain risks. Due to the nature of the works, some Functions might also perform proactive risk management, in line with their roles as the First Line of Defence. Proper segregation of roles set in Function units to avoid the conflict between roles. In general, the Second Line of Defence includes Financial Risk Oversight such as Wholesale and Market Risk, and Retail Credit Risk units, as well as Non-Financial Risk Oversight such as Operational and Resilience Risk,

Compliance, Human Resources, Finance, Legal and other units. The Second Line of Defence provides input and questions the First Line of Defence units in managing their risks, as well as makes sure that risk management is carried out in accordance with their respective controls.

The Third Line of Defence is Internal Audit Unit (SKAI), which provides independent assurance to the management that the First and Second Line of Defence are executing their roles in managing risks in line with the Bank's policy.

Risk Management Working Unit (SKMR)

The Bank also establishes Risk Management Working Unit (Satuan Kerja Manajemen Risiko/ SKMR) which is a unit that is independent from operating unit (risk taking units) and other units that carry out the internal control function.

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

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

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 thoroughly conducted to all employees in the form of e-learning training and classroom training (where permissible during the current working arrangement impacted by the pandemic) in order to increase risk management competence, such as Risk Management Certification Programme as well as Risk Management Certification Maintenance/ Refreshment Programme, as required and mandatory e-learning training related to risk awareness such as: Non-Financial Risk, Cyber Security Risk,

Financial Crime Risk including Anti Money Laundering & Sanction, Anti Bribery & Corruption, and Compliance & Reputational Risk.

D. THE SCOPE AND MAIN FEATURES OF RISK MEASUREMENT SYSTEM.

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

Risk Identification

The purpose of risk identification is to identify all types of inherent risks to any functional activity that could potentially harm the Bank. Things to consider include: proactively covering all functional activities, combining and analysing risk information from all available sources, and analysing 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 the effectiveness of risk management implementation.

Several points that are measured include product/activity sensitivity to changes in influencing factors, individual risk factors, and aggregate risk exposure by considering with risk correlation.

Risk Monitoring

Risk monitoring is carried out to ensure risk limits while at setting and monitoring, have taken into consideration loss experience, ability of capital to absorb loss/exposures, and to ensure that positions that have exceeded prescribed limit receive immediate attention from the Risk Management Working Unit, Risk Management Committee, and Board of Directors.

Risk Management Information System

As part of the risk management process, the Bank has a risk management information system to ensure:

- Risk exposure exact measurement.
- Adherence of risk management implementation to policies.
- Availability of risk management implementation realisation compared to target that has been 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 unit) and supporting work units as well as the Internal Audit Unit. The implementation of the internal control system must at least be able to timely detect weaknesses and deviations that occur.

E. RISK INFORMATION REPORTING PROCESS

Risk Information submitted to Board of Directors and Commissioner is Enterprise Risk Report which consists of:

- Risk Appetite Statement Report,
- Risk Map Report, and
- Top and Emerging Risks Report

which submitted to Risk Management Committee on monthly basis and to Risk Oversight Committee on quarterly basis.

F. STRESS TESTING

Bank regularly conduct stress tests to assess the resilience of our balance sheet and our capital adequacy, as well as to provide actionable insights into how key elements of our portfolios may behave during crises. Stress testing scenarios can be in the form of changes in macroeconomic conditions or sensitivity analysis towards specific factors (idiosyncratic). The Bank uses the outcome to calibrate risk appetite and review the robustness of strategic and financial plans, and help improve the quality of management's decision making. Stress testing analysis assists management in understanding the nature and existing vulnerabilities to which the Bank is exposed. Known risks based on the results from stress tests also prompted the creation of recovery plans to increase the Bank's financial stability under various scenarios.

G. RISK MANAGEMENT STRATEGY AND PROCESS

Certain strategy and process to manage, hedge and mitigate risks that emerge from the Bank's business model are used strategically in portfolio management activities. And, while concentration on single name can happen in portfolios managed by Global Banking and Commercial Banking, only Markets needs market and credit risk mitigation at the portfolio level. Risk limits and their utilisations, maturity profiles and risk quality are monitored and managed proactively by Markets. This process is key to the setting of risk appetite for large and more complex customers. While the principal form of risk management continues to be at the point of exposure origination, through the decision-making process for lending, hedging activity is carried out within the agreed credit parameters, and is subjected to market risk limits and a strong governance structure.

RISK MANAGEMENT PRACTICE

Management of Eight Primary Risk Types

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

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

(i) Credit Risk

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.

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

Organisation of Credit Risk Management

Identification of credit risk has done by Business, Wholesale Credit Approval and Wholesale Credit Risk. Bank has established operating framework of Wholesale Credit Risk which has been aligned with relevant regulations about governance of credit risk management i.e., identification, measurement, monitoring and management.

Credit Risk Management Policy

a. Oversight

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

As part of continuous management process, Bank has conducted Portfolio Oversight Council (POC) which will help the Bank to monitor credit portfolio at Wholesale Banking segment which can be used by the Bank as a basis to determine comprehensive credit risk mitigation policy.

In carrying out a more detailed supervision, the Bank has Wholesale Credit Risk Forum, which will help the Bank in conducting oversight of sound lending activity that adhere with applicable policies and procedures.

b. Adequacy of Policies, Procedures, and Limit

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

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

One of the credit policies applied and required by business units is related to the annual review process. Business units are required to undertake annual review of debtors in a disciplined manner at least once a year. With the annual review, business units are able to monitor and ensure that the borrowers' business operates as normal. In addition, any change in business conditions can be anticipated to mitigate the deterioration of credit quality. In addition to the establishment of policies and procedures, the Bank also sets limits in credit process in accordance with the Bank's risk appetite. The limits set are, among others, related to the credit approval limit authority, single group lending limit (in accordance with the regulatory Legal Lending Limit - LLL), and industry Sectors Limits and so on.

c. Adequacy of Credit Risk Identification Process

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

Business units have main responsibility to accurately identify high-risk debtors and place their names on the watchlist, in accordance with applicable credit policies. Those who grant credit approval and the Wholesale Credit Risk unit have crucial role in conducting review and questioning the watchlist process. They can also give suggestions to include (or remove) debtors from the watchlist or reassess that watchlist status to align with changes in risk profile. It is to ensure that debtors in the watchlist, who need corrective action, credit rating adjustment, and/or a decrease in collectability, are listed under Special Mention and that the process is done accordingly based on the appropriate watchlist status, and whenever it is deemed appropriate for these debtors to be transferred to Loan Management Unit for recovery actions.

Watchlist is a risk management tool that identifies items for management attention, debtors' relationships with various levels of severity for review and is additional to the normal process of credit approval.

d. Adequacy of Process Measurement, Monitoring, and Risk Control

Risk measurement is conducted periodically through the preparation of the Bank's annual plan commencing with the establishment of the "Risk Appetite Statement" as a risk appetite and risk tolerance corridors acceptable to the Bank for the current year. Risk Appetite Statement proposal is submitted for recommendation to the Risk Management Committee annually prior to Board of Commissioner approval.

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

Risk performance is measured and evaluated each month by comparing the actual risk conditions with the Risk Appetite Statement, allowing for earlier detection and determination of necessary mitigation steps. Preventive and corrective measures are discussed in the committee including progress that has been achieved.

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

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

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

Credit Concentration Management Policy

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

The credit approval authority for customers is determined based on the amount of exposure per business group. Thus, the likelihood of credit concentrations exceeding the limits of one group of borrowers can be avoided.

The Bank also adheres to meet the Legal Lending Limit (LLL) in accordance with the OJK regulations.

In addition, Bank has established limit industry cap for certain industry which deemed as high risk industry.

Policy, Procedure, and Appraisal proses and Collateral Management

Bank has sufficient policy and procedure related with appraisal process and collateral management. This policy has regularly updated in order to inline with POJK. In addition, for every credit proposal then Bank has conducted re-appraisal for all collateral which accepted by the Bank in order to make sure for all collateral has appropriated with existing policy and procedure.

Information regarding the Bank's policy for accepted collateral are stipulated in the Bank's procedure, which is the Wholesale Credit Market Risk Guideline.

Policy on the use of ratings in calculating RWA for Credit Risk

HSBC measures credit risk using the standard method in accordance with OJK Circular No. 24/SEOJK.03/2021 regarding '*Perhitungan Aset Tertimbang Menurut Risiko Untuk Risiko Kredit Dengan Menggunakan Pendekatan Standar Bagi Bank Umum*' (Risk Weighted Assets Calculation for Credit Risk with Standard Approach for Commercial Bank) which requires that all banks have to calculate Risk Weighted Assets (RWA) for credit risk using the Standard Approach. For internal purposes, the Bank uses a measurement based on an internal rating which is used as a tool in the credit decision making process.

The use of ratings in the calculation of the ATMR for credit risk, only used for types of claims from public sector entities, banks and corporations.

Matured Claims and Impaired Claims

Claims that are due are all receivables that are past due for more than 90 days, either for principal payments and / or interest payments. Meanwhile, receivables with impairments are financial assets that have significant individual value and there is objective evidence that individual impairment occurs after the initial recognition of the financial assets.

Establishment of Individual and Collective Allowances for Impairment Losses

The Bank has implemented the formation of individual and collective allowances for impairment losses in accordance with PSAK 71, the Bank has developed risk parameter modeling such as PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default) which are used as components in calculating expected credit losses or allowances for impairment losses (CKPN).

PSAK 71 requires Banks to classify Financial Assets into three stages of impairment (stage 1, stage 2 and stage 3) by determining whether there is a significant increase in credit risk.

The Bank measures the allowance for losses in the amount of 12 months expected credit losses for financial assets with low credit risk at the reporting date (stage 1) and lifetime credit losses for financial assets with a Significant Increase in Credit Risk (SICR) (stage 2) and financial assets which experience deterioration in credit and default, followed by history of late payment (stage 3).

In calculating CKPN, the Bank applies several macroeconomic scenarios, which are determined by projecting several macroeconomic variables. In addition, the Bank also determines the weighting for the possibility of such a macroeconomic scenario. Various macroeconomic variables (MEV) are used in the modeling of PSAK 71 depending on the results of statistical analysis and suitability of MEV with historical data modeling impairment. Calculation of expected credit losses and the projections of macroeconomic variables are reviewed by the Bank on a regular basis.

The Methods used to apply defined operating limits to internal capital for counterparty credit exposures and Counterparty (CCP) exposures.

The Bank participates in transactions that could make the Bank exposed to counterparty credit risk. Counterparty credit risk is the risk of financial loss if the counterparty to a transaction fails to make payments before completing the transaction satisfactorily. This especially could happen from over-the-counter ('OTC') derivatives and securities financing transactions, and is calculated in both the trading and non-trading books. Value of the transactions are varied based on market factors, such as interest rate, exchange rate, or asset price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the Credit Valuation Adjustment ('CVA').

Policies related to guarantee and risk mitigation and assessment related to counterparty risk, including exposures toward CCP

The Bank manages the counterparty exposure on our OTC derivative contracts by using collateral agreements with counterparties. Currently, Bank does not actively manage Bank's general OTC derivative counterparty exposure in the credit markets, although Bank may manage individual exposures in certain circumstances. Bank place strict policy restrictions on collateral types

and as a consequence the types of collateral received and pledged are, by value, highly liquid and of a strong quality, being predominantly cash. Where a collateral type is required to be approved outside the collateral policy, approval is required from a committee of senior representatives from markets, legal and risk.

Policies related to wrong way risk exposure

Wrong-way risk is an adverse correlation between the counterparty's probability of default and the mark-to-market value of the underlying transaction. The risk can either be general, perhaps related to the currency of the issuer country, or specific to the transaction concerned. When there is significant wrong-way risk, a trade specific approach is applied to reflect this risk in the valuation.

(ii) Market Risk

Market risk emerges from movement in market risk factors, such as foreign exchange rates, interest rates, and credit spreads, which will reduce the Bank's income and portfolio values. Market risk arises on financial instruments that are measured at fair value and at amortised cost.

The objective of market risk management is to manage and control market risk exposures to achieve an optimal return while maintaining risk level at an acceptable level. Market Risk is managed by a working unit that independent from business and part of the Bank's risk management work unit, which has the responsibility to measure, monitor and report market risk exposures on a daily basis.

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

In managing market risk, the Bank divides it into interest rate risk and currency exchange rate risk. Interest rate risk in trading book is the risk caused by the movement of market interest rate, which could affect sensitive financial instruments, such as bonds and interest rate derivative on the Bank's trading portfolios. Meanwhile, interest rate risk in banking book generally arises from the Bank's balance sheet position on holding of 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-lending position - where assets are priced at a slower rate than liabilities

– will be profitable if interest rates fall and create a loss if interest rates rise. The risk of currency exchange rate arises from fluctuations in foreign currency exchange that affected the Bank's open position on trading and banking portfolios.

To implement Risk Management, the Bank uses a range of tools to monitor and limit market risk exposures. These include position limit, sensitivity analysis, Value at Risk (VaR) and stress testing. Sensitivity analysis measures the impact of individual movement of market factor on specific instruments or portfolios. The Bank uses this sensitivity measures to monitor market risk positions in each type of risk. VaR is a technique for estimating potential losses on risk positions as a result of movement in market rates and prices over a specified time horizon and at a certain level of confidence. The Bank periodically conduct the accuracy test of VaR model by back-testing the VaR metric against both actual and hypothetical profit and loss. In addition, the Bank also conducts stress testing to evaluate the impact of potential loss on portfolio values in more extreme scenarios where the losses can be much greater than those predicted by VaR. For the purposes of calculating the Market Risk associated with the calculation of the Minimum Capital Adequacy Requirement (KPMM), the Bank refers to the applicable provisions that are stipulated by the Financial Services Authority (OJK).

Market Risk Limit is managed and controlled through market risk limits approved by Board of Directors with recommendation from the Risk Management Committee.

(iii) 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, where the risk arises from mismatches in the timing of cash flows. 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 to withstand under

severe liquidity stresses. The liquidity framework is designed to be adaptable to changing business models, markets and regulations. The Bank maintains various sources of funding available and diversified funding base of core retail and corporate customer deposits as well as ensuring the availability of highly liquid assets portfolios.

Risk management applied by the Bank is as follows:

1. Daily monitoring of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), which includes daily monitoring of the Bank's liquid assets and daily cash out- and in-flows.
2. The Bank establishing the Macroprudential Liquidity Buffer (PLM) to maintain liquidity position of the Bank, including by placing excess funds into more liquid financial instruments.
3. Establishing a Cash Holding limit policy on Bank branch offices.
4. Implementing the Asset Liabilities Committee (ALCO) function to regulate interest rate in increasing/reducing certain sources of funds related to maturity mismatch, to ensure compliance with local regulatory requirements and to establish liquidity and funding risk tolerance which is set out in the Risk Appetite Statement (RAS).
5. Implementing Contingency Funding Plan (CFP) and its mechanism, including by establishing crisis response teams to anticipate liquidity crises, consist of high-level responsibilities and actions that could be applied during liquidity stress scenarios and set out specific stages during a liquidity stress scenario.

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

In managing liquidity risk, the Bank has established a work unit that is independent from business and part of risk management working unit in the Bank. The Board of Commissioners and the Board of Directors are actively participating in monitoring and ensuring proper implementation of risk management through several committees like Asset and Liability Committee (ALCO), Risk Management Committee and Risk Oversight Committee. The changes in liquidity risk management, including the changes in key ratio limits are subject to regular review and will be discussed in ALCO meeting.

In addition to liquidity risk management function, the Bank also has internal risk control function for liquidity risks, which is conducted by Internal Audit Work Unit, to ensure that the Bank has implemented liquidity risk management that is in line with the regulator's provisions.

(iv) Operational Risk

Operational Risk is a risk that could occur due to 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.

Bank has SKMR unit which coordinate with related units to ensure the implementation of risk management in accordance with the implementation standards as stipulated by Otoritas Jasa Keuangan. The related units are Subject Matter Expert (SME) for each risk profile which has to be analysed to ensure Operational Risk Management implementation. SKMR also provides input on Risk Self Assessment for operational risk analysis for new activities and products.

Bank has set up Risk Appetite Statement as a standard reference and manage the operational risk profile of the Bank within risk 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.

Implementation of risk management will be assisted by additional function that is developed by management, namely the function of CCO (Chief Control Officer), is expected to perform inherent monitoring on risk management in each unit, bridging First Line of Defense and Second Line of Defense. Management is expected to be more aware of its responsibility in managing risk with this concept.

Several methods or supporting tools for operational risk management were introduced to each unit to manage risks in their respective areas.

Some of the methods include self assessment of risk and control, implementation of risk-based control assessment that is conducted by CCO, implementation of Key Indicators to improve control monitoring process, identification of existing risk or problems followed by monitoring on the agreed corrective action, and

management of operational risk incidents that occurred. It is expected that the Bank will continue developing the concept in order to improve a sustainable risk management.

(v) Legal Risk

Legal Risk is the risk due to lawsuits and/or weakness of juridical aspect which can arise from, among others, the weakness of juridical aspect caused by the weakness of engagement done by the Bank, the absence and/or amendment of law and regulation causing a transaction which has been done by Bank become not in accordance with the provisions, and litigation process whether arising from a third-party lawsuit against the Bank or the Bank against a third party. To handle this risk, the Bank Legal Division, among other things, continuously performs legal aspect analysis procedures for new products and/or activities, and also reviews the contracts and agreements between the Bank and other parties.

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

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

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

1. Have a written legal policy.
2. Carry out legal aspects analysis of new or ongoing business activities or products, if necessary.
3. Assess the impact of changes in terms and regulations on legal risks.
4. Review of standard documents of contracts, contracts and other legal documents of the Bank with other parties in respect of the effectiveness of legal risk mitigation that may be incurred by such documents.
5. Monitor ongoing court cases.
6. Have an external legal counsel panel for corporate law and litigation that assists the Bank for legal risk control. There are currently 14 external legal counsel in the Bank's panel.

(vi) Reputational Risk

Reputational Risk is the risk associated with a negative perception of the bank's policies, procedures or issues that may damage the trust and confidence of the Bank's stakeholders.

Reputational risk in being coordinated by Communications department as the risk steward. To address this risk both internally and externally, the Communications department work hand-in-hand with Complaint Handling department, both for corporate and retail customers, as well as HR.

The continuously monitored perception-shaping factors include:

- a. The impact of the bank owners' and related companies' reputation.
- b. Breach of business ethics.
- c. Complexity of products and bank co-operations.
- d. Frequency, materiality and scale of exposure of negative news of the bank.
- e. Frequency and severity of customer complaints.

The Bank uses several sources of information to identify and measure the impact of Reputational Risk, including externally: mass media coverage, the Bank's website, social media analysis; customer complaints, and internally through the Exchange of information activities and the Snapshot Survey.

The functions that are collaborating to monitor and manage Reputational Risk include: Communication, Complaint Handling, Marketing and HR. All of these units communicate with the relevant stakeholders, which include: the public, customers, creditors, associations and employees.

The Communication department has the authority to provide opinions regarding features, programmes and products before they are launched, as well as regarding customer complaints. Communication also works with Marketing to monitor conversations on social media, as well as with external parties to monitor news coverage in the media every day. The result will be taken into a periodic review of the communication strategy to create positive perceptions in the community.

The customer complaint reporting mechanism, which is also related with the reputation risk, is governed in the Complaint Handling Guidelines document and recorded by the Complaints Handling department through the Complaint Management System (CMS) system

with automatic mechanism of escalation to the BoD (Senior Management) for handling process monitoring. Complaints that are recorded will be discussed regularly every month in the Complaint Handling meeting forum.

Internally, HR continues to disseminate information to all employees to ensure understanding of risk management, including the Conduct, which can cause reputation risk. Furthermore, to monitor employees' awareness for reputation risk, HR also conducts a Snapshot Survey twice a year as well as an exchange of information activities which are conducted regularly in each line of businesses.

Written policies and procedures that meet the principles of transparency and the customer service quality improvements as well as those pertaining other stakeholders are made by the respective work units. Specifically for the Communications unit, there are written policies and procedures related to communication operational standards, regarding Communication Instruction Guide.

In managing crises, the Bank has a dedicated reputation management protocol to quickly anticipate an increased level of Reputational Risk in times of a crisis. The assessment of these factors includes (a) Crisis Management Structure, and (b) Crisis Management Procedures / Manual, embedded in the Communication Instruction Guide.

In addition, the protocol also includes an early warning mechanism to alert the management so that the bank can deliver the necessary responses and mitigation steps

(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. Risk Management Committee and Risk Management Units are developed to address these risks and ensure it is being controlled according to the Banks policy, guidelines and Regulations and to monitor the initiatives that have been agreed in the Bank's strategy plan.

The Bank has established guidelines to implement its strategy. To ensure the risk identification process and respond to any external or internal changing factors in the business. The Governing Policy is formulated in the Banks Business Plan 2022-2024 and Bank's Corporate Plan 2021-2025 as a guideline for the bank's short, medium and long term (5-years) growth.

Measurement mechanism and Strategic Control are conducted as such:

- Implementing supervision on the achievement of work plan on a regular basis.
- Evaluating interim results achieved, along with factors preventing the Bank to meet targets and risk mitigation.
- Revising initial work plan, if required, to achieve targets.

(viii) Compliance Risk

Compliance risk is the risk that arise where the Bank does not comply with the applicable provisions, laws and prevailing banking regulations.

HBID manage its compliance risk by establishing a work unit, namely the Compliance Unit, which functions as second line of defence and acts both as control owner and risk steward.

HBID has Risk Oversight Committee in Board of Commissioners level which runs in quarterly basis and Risk Management Committee in Board of Directors level which runs on a monthly basis. Compliance Director is a permanent member in both of the Committees.

HBID is also responsible to ensure the implementation of the compliance culture in the Bank as well as ensuring that the Bank's activities including policy and procedure establishment are in accordance with the provisions of applicable laws and/or regulations under relevant regulatory authorities. Compliance Unit monitor and provide the regulations from Otoritas Jasa Keuangan, Bank Indonesia and other supervisory authorities that have been issued and related to operational activities in HBID to senior management and respective units.

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 in the Board of Directors meeting, Board of Commissioners meeting, 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 consisting of WPB Advisory, WSB Advisory, Financial Crime, and Conduct Compliance are all actively performing dissemination and ensuring a proper Conduct implementation in HBID, to apply the fair customer aspect as a culture that HBID is adhere to.

Compliance Unit ensures the Bank's compliance with the commitment towards Financial Services Authority, Bank Indonesia, and other supervisory authorities, including the follow-up of audit findings and monitors the follow-up of the fulfillment of these commitments.

INFORMATION DISCLOSURES OF RISK EXPOSURES AND CAPITAL

1. General - Key Metrics

No	Description
Available Capital (amounts)	
1	Common Equity (CET1)
2	Primary Capital (Tier 1)
3	Total Capital
Risk Weighted Asset (amounts)	
4	Total Risk Weighted Asset (RWA)
Risk Based Capital Ratio in percentage compare to RWA	
5	CET 1 Ratio (%)
6	Tier 1 Ratio (%)
7	Total Capital Ratio (%)
Additional CET1 buffer requirements as a percentage of RWA	
8	Capital conservation buffer requirement (2.5% from RWA) (%)
9	Countercyclical Buffer requirement (0 - 2.5% from RWA) (%)
10	Bank G-SIB and/or D-SIB additional requirements (%)
11	Total Bank CET1 specific buffer requirements (%) (row 8+row 9+row 10)
12	CET1 available after meeting the bank's minimum capital requirements (%)
Basel III leverage ratio	
13	Total Basel III leverage ratio exposure measure
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets
Liquidity Coverage Ratio (LCR)	
15	Total high-quality liquid assets (HQLA)
16	Total net cash outflow
17	LCR ratio (%)
Net Stable Funding Ratio (NSFR)	
18	Total available stable funding
19	Total required stable funding
20	NSFR (%)
Qualitative Analysis	
The Bank's common equity Tier 1, Tier 1 and total capital, as well as the liquidity and funding position for the last five quarters are above the minimum compliance ratio required.	

(in billion Rupiah, unless otherwise specified)

	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20
	19,802,435	19,577,135	18,916,833	19,313,136	18,910,895
	19,802,435	19,577,135	18,916,833	19,313,136	18,910,895
	21,583,533	21,327,075	20,725,852	21,149,190	20,764,533
	71,769,966	73,986,042	74,103,242	74,453,196	77,755,638
	27.59%	26.46%	25.53%	25.94%	24.32%
	27.59%	26.46%	25.53%	25.94%	24.32%
	30.07%	28.83%	27.97%	28.41%	26.70%
	2.50%	2.50%	2.50%	2.50%	2.50%
	0.00%	0.00%	0.00%	0.00%	0.00%
	1.00%	1.00%	1.00%	1.00%	1.00%
	3.50%	3.50%	3.50%	3.50%	3.50%
	21.07%	19.83%	18.97%	19.41%	17.70%
	140,991,264	140,138,016	134,951,076	139,078,491	129,428,490
	14.05%	13.97%	14.02%	13.89%	14.61%
	14.05%	13.97%	14.02%	13.89%	14.61%
	14.14%	13.91%	13.33%	14.32%	14.69%
	14.14%	13.91%	13.33%	14.32%	14.69%
	58,489,603	56,767,717	48,770,905	41,551,153	36,997,022
	20,515,712	19,571,256	11,063,834	6,475,627	5,870,205
	285.10%	290.06%	440.81%	641.65%	630.25%
	74,885,511	76,192,805	73,291,183	68,164,839	67,287,019
	34,785,977	38,029,650	36,846,732	38,603,198	40,806,923
	215.27%	200.35%	198.91%	176.58%	164.89%

2. General - Difference between Consolidated Scope and Mapping in the Financial Statement in accordance with Financial Accounting Standards by Risk Categories in accordance with OJK Regulation for Risk Categories

Description	Carrying value as stated in the published financial statements	The carrying value is based on the precautionary principle	
Assets			
Cash	429,856	429,856	
Placement with Bank Indonesia	27,552,619	27,552,619	
Placement with other banks	3,621,371	3,621,371	
Spot and derivative/forward receivables	202,641	202,641	
Investment securities	25,502,577	25,502,577	
Securities sold under repurchase agreement (repo)	-	-	
Securities purchased with agreement to resell (reverse repo)	10,060,292	10,060,292	
Acceptance receivables	2,602,208	2,602,208	
Loans to customers	54,515,823	54,515,823	
Sharia financing	-	-	
Equity investment	-	-	
Other financial assets	-	-	
Impairment on financial assets -/-	(3,209,349)	(3,209,349)	
Intangible asset	315,387	315,387	
Accumulated amortisation on intangible assets -/-	(271,166)	(271,166)	
Properties and equipment	2,045,185	2,045,185	
Accumulated depreciation on properties and equipment -/-	(1,211,731)	(1,211,731)	
Non productive asset			
a. Abandoned property	-	-	
b. Foreclosed assets	138,434	138,434	
c. Suspense accounts	-	-	
d. Interbranch assets	-	-	
Other assets	2,167,649	2,167,649	
Total assets	124,461,796	124,461,796	
Liabilities			
Current account	45,584,475	45,584,475	
Savings account	15,945,787	15,945,787	
Time deposit	23,876,516	23,876,516	
Electronic money	-	-	
Liabilities to Bank Indonesia	-	-	
Deposits from other banks	5,940,073	5,940,073	
Spot and derivative/forward liabilities	188,060	188,060	
Liabilities on securities sold under repurchase agreement (repo)	-	-	
Acceptance liabilities	2,602,208	2,602,208	
Issued securities	-	-	
Loans received	7,268,775	7,268,775	
Margin deposit	406,970	406,970	
Interbranch liabilities	-	-	
Other liabilities	2,508,261	2,508,261	
Minority interest	-	-	
Total liabilities	104,321,125	104,321,125	

(in million Rupiah)

	The carrying amount of each risk				
	Subject to credit risk framework	Subject to counterparty credit risk	Subject to the Securitisation Framework	Subject to the Market Risk Framework	Not subject to capital requirements or subject to deduction from capital
	429,856	-	-	195,615	-
	27,552,619	-	-	9,050,338	-
	3,621,371	-	-	3,562,485	-
	-	202,641	-	-	-
	25,502,577	-	-	506,583	-
	-	-	-	-	-
	10,060,292	-	-	-	-
	2,602,208	-	-	1,769,571	-
	54,515,823	-	-	19,378,266	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	(3,209,349)	-	-	(1,604,923)	-
	315,387	-	-	-	315,387
	(271,166)	-	-	-	(271,166)
	2,045,185	-	-	-	-
	(1,211,731)	-	-	-	-
	-	-	-	-	-
	138,434	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	1,958,227	-	-	51,467	212,799
	124,049,733	202,641	-	32,909,402	257,020
	-	-	-	12,122,804	45,584,475
	-	-	-	8,499,083	15,945,787
	-	-	-	3,504,347	23,876,516
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	34,723	5,940,073
	-	-	-	-	188,060
	-	-	-	-	-
	-	-	-	1,769,571	2,602,208
	-	-	-	-	-
	-	-	-	7,268,776	7,268,775
	-	-	-	-	406,970
	-	-	-	-	-
	-	-	-	475,547	2,508,261
	-	-	-	-	-
	-	-	-	33,674,851	104,321,125

3. General - Differences between carrying value in accordance with

Indonesian Financial Accounting Standards with exposure value in accordance with Financial Services Authority

(in million Rupiah)

No	Description	a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	124,461,796	124,049,733	-	202,641	32,909,402
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	104,321,125	-	-	-	33,674,851
3	Total net amount under regulatory scope of consolidation	20,140,671	124,049,733	-	202,641	(765,449)
4	Off-balance sheet amounts	88,530,172	7,831,160	-	-	1,114,391
5	Difference in valuation	-	-	-	-	-
6	Difference due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	194,042	194,042	-	-	-
8	Difference due to prudential filters	863,354	-	-	863,354	-
	Exposure amounts considered for regulatory purposes	109,728,239	132,074,935	-	1,065,995	348,942

Qualitative Analysis

The difference between the carrying amount based on the Financial Publication Report and the credit risk framework is in terms of the provision as a net value of the carrying value/outstanding, where based on the Financial Publication Report the carrying amount/outstanding is after deducting the total Allowance for Impairment Losses (CKPN) stage 1, 2, and 3, while according to the credit risk framework, it is recorded/outstanding value after deducting fees/CKPN stages 2 and 3 only. For counterparty credit risk, the difference between the carrying amount based on the Financial Publication Report and the credit risk framework is in terms of potential future exposure and credit valuation adjustment. The carrying amount based on the Published Financial Statements is the replacement cost. As for the credit risk framework, apart from replacement cost, potential future exposure is also taken into account.

4. General - Explanations of Differences between Exposure Amounts in accordance with Financial Accounting Standards and OJK Regulations (LIA)

Bank HSBC Indonesia does not have insurance subsidiaries, so that no difference between carrying values under scope of regulatory principle and carrying value as reported in Published Financial Statements.

Difference between the carrying value as stated in the Published Financial Statements and the carrying value subject to regulation

The difference between the carrying value as stated in the Published Financial Statements and the carrying value subject to credit risk framework is in term of provision used as net off of carrying value/outstanding, where in the published financial statement, the carrying value/outstanding is net off with total provision/total Expected Credit Loss (ECL) stage 1, 2, and 3, while as per credit risk framework, carrying value/outstanding is net off with provision/ ECL stage 2 and 3 only.

For counterparty credit risk, the carrying value as stated in the Published Financial Statements differs from the exposure considered for regulatory purpose. The carrying value as stated in the Published Financial Statements represents replacement cost, while the carrying value subject to counterparty credit risk framework represents replacement cost and potential future exposure, multiplied by 1.4.

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.

- 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.

Bank uses a valuation model that refers to the discounted cash flow model after going through a validation process by an independent unit and an approval process by the Valuation Committee.

The market data sources used in valuation model goes through a verification process by an independent unit before it is used since the determination of market data sources. Furthermore, the verification process is carried out on inputting market data, including checking for stale & variance, and outliers on these market data on daily basis.

5. Capital - Composition of Capital as of 31 December 2021 (CC1)

(in million Rupiah)

No	Component	Amount	Reference from Consolidated Statement of Financial Position
Common Equity Tier 1 Capital: Instruments and Reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	10,844,005	A
2	Retained earnings	8,883,619	B
3	Accumulated other comprehensive income (and other reserves)	425,708	C
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	N/A	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	N/A	
6	Common Equity Tier 1 capital before regulatory adjustments	20,153,332	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	44,221	D
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	N/A	
11	Cash-flow hedge reserve	N/A	
12	Shortfall of provisions to expected losses	N/A	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined-benefit pension fund net assets	N/A	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	N/A	
17	Reciprocal cross-holdings in common equity	N/A	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	N/A	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	N/A	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	N/A	
22	Amount exceeding the 15% threshold	N/A	
23	of which: significant investments in the common stock of financials	N/A	
24	of which: mortgage servicing rights	N/A	
25	of which: deferred tax assets arising from temporary differences	N/A	
26	National specific regulatory adjustments		
	a. Difference between allowance for possible losses and allowance for impairment losses on earning assets	-	
	b. Allowance for losses on non productive assets required to be provided	93,878	
	c. Deferred tax asset	212,799	E
	d. Investments in shares of stock	-	
	e. Shortage of capital on insurance subsidiary company	-	
	f. Securitisation Exposure	-	
	g. Other deduction factor of common equity Tier 1	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	350,898	
29	Common Equity Tier 1 capital (CET1)	19,802,434	

5. Capital - Composition of Capital as of 31 December 2021 (CC1)

(in million Rupiah)

No	Component	Amount	Reference from Consolidated Statement of Financial Position
Additional Tier 1 Capital : instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	N/A	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	N/A	
36	Additional Tier 1 capital before regulatory adjustments	-	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	N/A	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	N/A	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	N/A	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	N/A	
41	National specific regulatory adjustments		
	a. Investments in Instruments issued by the other bank that meet the criteria for inclusion in additional Tier 1	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	19,802,434	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,068,937	
47	Directly issued capital instruments subject to phase out from Tier 2	N/A	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	N/A	
50	Provisions	712,161	
51	Tier 2 capital before regulatory adjustments	1,781,098	
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	N/A	
53	Reciprocal cross-holdings in Tier 2 instruments and other	N/A	
54	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	N/A	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	N/A	

5. Capital - Composition of Capital as of 31 December 2021 (CC1)

(in million Rupiah)

No	Component	Amount	Reference from Consolidated Statement of Financial Position
56	National specific regulatory adjustments		
	a. Sinking fund	-	
	b. Investments in Instruments issued by the other bank that meet the criteria for inclusion in additional Tier 2	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	1,781,098	
59	Total capital (TC = T1 + T2)	21,583,532	
60	Total risk weighted assets	71,769,966	
	Capital Ratios and Buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	27.59%	
62	Tier 1 (as a percentage of risk weighted assets)	27.59%	
63	Total capital (as a percentage of risk weighted assets)	30.07%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	3.50%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical buffer requirement	0.00%	
67	of which: G-SIB buffer requirement	1.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	21.07%	
	National minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	N/A	
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	N/A	
71	National total capital minimum ratio (if different from Basel 3 minimum)	N/A	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	N/A	
73	Significant investments in the common stock of financials	N/A	
74	Mortgage servicing rights (net of related tax liability)	N/A	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	N/A	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	N/A	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	N/A	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	N/A	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	N/A	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	N/A	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	
82	Current cap on AT1 instruments subject to phase out arrangements	N/A	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A	
84	Current cap on T2 instruments subject to phase out arrangements	N/A	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A	

6. Capital - Reconciliation of Capital as of 31 December 2021 (CC2)

(in million Rupiah)

No	ACCOUNTS	Published Statements of Financial Position	Consolidated Statements of Financial Position under Regulatory Scope of Consolidation	Reference number
		31 December 2021	31 December 2021	
ASSETS				
1.	Cash	429,856	429,856	
2.	Placement with Bank Indonesia	27,552,619	27,552,619	
3.	Placement with other banks	3,621,371	3,621,371	
4.	Spot and derivative receivables	202,641	202,641	
5.	Investment securities	25,502,577	25,502,577	
6.	Securitized sold under repurchase agreement (repo)	-	-	
7.	Securities purchased with agreement to resell (reverse repo)	10,060,292	10,060,292	
8.	Acceptance receivables	2,602,208	2,602,208	
9.	Loans to customers	54,515,823	54,515,823	
10.	Sharia financing	-	-	
11.	Equity investment	-	-	
12.	Impairment on financial assets -/-			
	a. Securities	(16,780)	(16,780)	
	b. Loans	(3,187,683)	(3,187,683)	
	c. Others	(4,886)	(4,886)	
13.	Intangible assets	315,387	315,387	D
	Accumulated amortisation on intangible assets -/-	(271,166)	(271,166)	D
14.	Properties and equipment	2,045,185	2,045,185	
	Accumulated depreciation on properties and equipment -/-	(1,211,731)	(1,211,731)	
15.	Non productive assets			
	a. Abandoned property	-	-	
	b. Foreclosed assets	138,434	138,434	
	c. Suspense accounts	-	-	
	d. Interbranch assets	-	-	
16.	Deferred tax assets	212,799	212,799	E
17.	Other Assets	1,954,850	1,954,850	
TOTAL ASSETS		124,461,796	124,461,796	

6. Capital - Reconciliation of Capital as of 31 December 2021 (CC2)

(in million Rupiah)

No	ACCOUNTS	Published Statements of Financial Position	Consolidated Statements of Financial Position under Regulatory Scope of Consolidation	Reference number
		31 December 2021	31 December 2021	
LIABILITIES AND EQUITIES				
LIABILITIES				
1.	Current account	45,584,475	45,584,475	
2.	Savings Account	15,945,787	15,945,787	
3.	Time deposits	23,876,516	23,876,516	
4.	Electronic money	-	-	
5.	Liabilities with Bank Indonesia	-	-	
6.	Deposits with other banks	5,940,073	5,940,073	
7.	Spot and derivative liabilities	188,060	188,060	
8.	Liabilities on securities sold under repurchase agreement (repo)	-	-	
9.	Acceptance liabilities	2,602,208	2,602,208	
10.	Issued securities	-	-	
11.	Loans received			
	a. Recognized in AT1	6,199,838	6,199,838	
	b. Not recognized in capital	1,068,937	1,068,937	
12.	Margin deposits	406,970	406,970	
13.	Interbank liabilities	-	-	
14.	Other liabilities	2,508,261	2,508,261	

6. Capital - Reconciliation of Capital as of 31 December 2021 (CC2)

(in million Rupiah)

No	ACCOUNTS	Published Statements of Financial Position	Consolidated Statements of Financial Position under Regulatory Scope of Consolidation	Reference number
		31 December 2021	31 December 2021	
	TOTAL LIABILITIES	104,321,125	104,321,125	
	EQUITY			
16.	Paid in capital			
	a. Capital	20,000,000	20,000,000	A
	b. Unpaid capital -/-	(9,413,605)	(9,413,605)	A
	c. Treasury stock -/-	-	-	
17.	Additional paid in capital			
	a. Agio	257,610	257,610	A
	b. Disagio -/-	-	-	
	c. Fund for paid up capital	-	-	
	d. Others	15,464	15,464	
18.	Other comprehensive income			
	a. Translation adjustment from foreign currency	-	-	
	b. Potential gain from an increase in fair value of financial assets measured at fair value through other comprehensive income	465,629	465,629	C
	c. Effective portion of cash flow hedge	-	-	
	d. Gain from fixed asset revaluation	-	-	
	e. Portion of other comprehensive income from associates	-	-	
	f. Remeasurement of defined benefit pension plans	(43,145)	(43,145)	
	g. Income tax of other comprehensive income	-	-	
	g.1. In accordance with gain from increase of fair value of financial assets measured at fair value through other comprehensive income	(102,440)	(102,440)	C
	g.2. In accordance with remeasurement of defined benefit pension plans	9,492	9,492	
	h. Others	5,528	5,528	
19.	Reserves			
	a. General reserves	62,519	62,519	C
	b. Appropriated reserves	-	-	
20.	Gain/Loss			
	a. Previous years	7,921,628	7,921,628	
	b. Current year	1,472,889	1,472,889	
	c. Dividend paid -/-	(510,898)	(510,898)	B
	TOTAL EQUITY ATTRIBUTABLE TO OWNER	20,140,671	20,140,671	
	TOTAL EQUITY	20,140,671	20,140,671	
	TOTAL LIABILITIES AND EQUITIES	124,461,796	124,461,796	

7. Capital - Main Features of Capital and TLAC - Eligible Instruments (CCA)

(in million Rupiah)

No	Questions	Answers	Answers
1	Issuer	PT Bank HSBC Indonesia	PT Bank HSBC Indonesia
2	Unique identifier	-	-
3	Governing law(s) of the instrument	Indonesian Legal	Indonesian Legal
	a. Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	N/A	N/A
Regulatory treatment			
4	Transitional Basel III rules	N/A	N/A
5	Post-transitional Basel III rules	CET 1	Tier 2
6	Eligible at solo/group/group and solo	Individually	Individually
7	Instrument type	Regular stock	Subordinated loan
8	Amount recognized in regulatory capital	10,844,005	1,068,937
9	Par value of the instrument	10,586,395	1,068,937
10	Accounting classification	Equity	Liability - Amortised Cost
11	Original date of issuance	13-Apr-17	10-Apr-17
12	Perpetual or dated	No maturity	With maturity
13	Original maturity date	N/A	10-Apr-27
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call option	N/A	N/A
Coupons/dividends			
17	Fixed or floating dividend/coupon	N/A	Floating
18	Coupon rate and any related index	N/A	USD LIBOR 3 months + 407 bps
19	Existence of a dividend stopper	No	No
20	Fully discretionary; partial or mandatory	N/A	Mandatory
21	Existence of step-up or other incentive to redeem	N/A	No
22	Non-cumulative or cumulative	N/A	Cummulative
23	Convertible or non-convertible	N/A	Non Convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	if convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	N/A	Yes
31	If writedown, writedown trigger(s)	N/A	According to OJK's provision
32	If writedown, full or partial	N/A	According to OJK's provision
33	If write-down, permanent or temporary	N/A	According to OJK's provision
34	If temporary write-own, description of writeup mechanism	N/A	N/A
34a	Type of subordination	No	Yes
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	N/A	Subordinated
36	Non-compliant transitioned features	N/A	No
37	If yes, specify non-compliant features	N/A	N/A

8. Leverage Ratio - Exposure in Leverage Ratio Report and Report of Leverage Calculation

A. Exposure in Leverage Ratio Report

Bank Name : PT Bank HSBC Indonesia (Individual)

Report Position : December 2021

(in million Rupiah)

No	Description	Total
1	Total assets on the balance sheet in published financial statement (gross value before deducting impairment provision)	127,671,145
2	Adjustment for investment in Bank, Financial Institution, Insurance Company, and/or other entities that consolidated based on accounting standard yet out of scope consolidation based on Financial Services Authority	-
3	Adjustment for portfolio of financial asset that have underlying which already transferred to without recourse securitisation asset as stipulated in OJK's statutory regulation related to Prudential Principles in Securitisation Asset Activity for General Bank. In the case of underlying financial asset mentioned has already deducted from the total asset on the financial report position, hence the number in this line is 0 (zero)	-
4	Adjustment to temporary exception of Placement to Bank Indonesia in accordance Statutory Reserve Requirement (if any)	-
5	Adjustment to fiduciary asset that recognized as balance sheet based on accounting standard yet excluded from total exposure in Leverage Ratio calculation	-
6	Adjustment to acquisition cost and sales price of financial assets regularly using trade date accounting method	-
7	Adjustment to qualified cash pooling transaction as stipulated in Financial Services Authority (OJK) regulation	-
8	Adjustment to exposure of derivative transaction	863,355
9	Adjustment to exposure on Securities Financing Transaction (STF) as example: reverse repo transaction	-
10	Adjustment to exposure of Off Balance Sheet transaction that already multiply with Credit Conversion Factor	15,961,466
11	Prudent valuation adjustments in form of capital deduction factor and impairment provision	(3,504,702)
12	Other adjustments	-
13	Total exposure in Leverage Ratio Calculation	140,991,264

Notes : Calculation of leverage ratio is based on POJK No.31/POJK.03/2019

B. Leverage Ratio Calculation Report

Bank Name : PT Bank HSBC Indonesia (Individual)

Report Position : December 2021

(in billion Rupiah, unless otherwise specified)

No	Information	Period	
		December 2021	September 2021
On Balance Sheet Exposure			
1	On-balance sheet exposures excluding derivatives and securities financing transactions (SFTs) (gross value before deducting impairment provision)	117,408,212	120,623,116
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the accounting standard	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transaction)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Impairment provision those assets in line with accounting standard applied)	(3,209,349)	(3,170,404)
6	(Asset amounts accounted as a deduction factor of main capital as stipulated in Financial Services Authority’s regulation on the obligation of minimum capital for general bank)	(257,020)	(443,412)
7	Total asset exposure on the financial report Total from line 1 to 6	113,941,843	117,009,300
Derivative Exposure			
8	Replacement cost associated with all derivatives transaction both with margin variation within the requirement or with billateral netting to comply with particular conditions	283,697	319,082
9	Add-on amounts for potential future exposure associated with all derivatives transaction	782,298	723,029
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
11	(Adjusted effective national offsets and add-on deduction for written credit derivatives)	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures	1,065,996	1,042,111
Securities financing transaction exposures			
14	Gross SFT	10,060,292	8,277,985
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets refers to Current Exposure Calculation stipulated in OJK’s regulation annex	-	-
17	Agent Transaction exposures	-	-
18	Total SFT exposures	10,060,292	8,277,985
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross national amount	88,530,172	81,917,422
20	(Adjustment from the result of multiplying commitment payable or contigent payables with credit conversion factor and deducted with impairment provision)	(72,568,706)	(68,078,817)
21	(Impairment provision for off-balance sheet in line with accounting standard)	(38,333)	(29,985)

B. Leverage Ratio Calculation Report

Bank Name : PT Bank HSBC Indonesia (Individual)

Report Position : December 2021

(in billion Rupiah, unless otherwise specified)

No	Information	Period	
		December 2021	September 2021
22	Total Off-balance sheet Total line 19-21	15,923,133	13,808,620
Capital and Total Exposures			
23	Tier 1 Capital	19,802,434	19,577,135
24	Total Exposure Total of line 7, 13, 18, and 22	140,991,264	140,138,016
Leverage Ratio			
25	Leverage Ratio, including the impact from adjustment to temporary exemption on the current account placement to Bank Indonesia in fulfilling minimum current account provision (if any), that included average value of accounted assets	14.05%	13.97%
25a	Leverage Ratio, including the impact from adjustment to temporary exemption on the current account placement to Bank Indonesia in fulfilling minimum current account provision (if any)	14.05%	13.97%
26	Minimum leverage ratio requirement	3%	3%
27	Applicable leverage buffers	N/A	N/A
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	9,082,043	8,859,745
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	10,060,292	8,277,985
30	Total exposures, including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets	140,013,015	140,719,777
30a	Total exposures excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets	140,013,015	140,719,777
31	Basel III leverage ratio, including the impact of any applicable temporary exemption of central bank reserve, incorporating mean values from row 28 of gross SFT assets	14.14%	13.91%
31a	Basel III leverage ratio, excluding the impact of any applicable temporary exemption of central bank reserve, incorporating mean values from row 28 of gross SFT assets	14.14%	13.91%

Notes : Calculation of leverage ratio is based on POJK No.31/POJK.03/2019

9. Credit Risk - Disclosure of Net Receivables Based on Area

No.	Portfolio Category	31 December 2021					
		Net receivables Based on Region					
		Area 1	Area 2	Area 3	Area 4	Area 5	Total
1	Receivables on Government	61,768,421	-	-	-	-	61,768,421
2	Receivables on Public Sector Entities	6,000,977	-	-	-	-	6,000,977
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	8,040,366	-	-	-	-	8,040,366
5	Loans Secured by Residential Property	531,930	-	-	-	-	531,930
6	Loan Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensions Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	3,736,072	304,967	38,681	60,770	15,638	4,156,127
9	Receivables on Corporate	44,473,563	3,939,822	283,027	333,473	84,136	49,114,021
10	Past Due Receivables	517,222	48,524	6,509	37,913	2,187	612,355
11	Other Assets	2,800,017	40,952	73,745	2,019	-	2,916,733
	Total	127,868,567	4,334,264	401,962	434,175	101,961	133,140,930
Notes : Area 1 : Java; Area 2 : Sumatra ; Area 3 : Sulawesi Area 4 : Kalimantan; Area 5 : Others							

10. Credit Risk - Disclosure of Net Receivables based on Remaining Contract Period

No.	Portfolio Category	31 December 2021					
		Net Receivables by Remaining Contractual Maturity					
		≤ 1 year	>1 year to 3 year	>3 year to 5 year	> 5 year	Non Contractual	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivables on Government	38,729,579	11,928,937	1,650,264	1,041,862	8,417,779	61,768,421
2	Receivables on Public Sector Entities	6,000,977	-	-	-	-	6,000,977
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	4,256,324	239,553	123,417	57,080	3,363,993	8,040,366
5	Loans Secured by Residential Property	2,708	23,418	56,857	448,947	-	531,930
6	Loan Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensions Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	1,349,537	1,031,775	1,230,892	543,923	-	4,156,127
9	Receivables on Corporate	48,705,672	274,018	132,991	1,341	-	49,114,021
10	Past Due Receivables	574,683	7,118	2,390	28,164	-	612,355
11	Other Assets	-	-	-	-	2,916,733	2,916,733
	Total	99,619,480	13,504,818	3,196,810	2,121,317	14,698,505	133,140,930

(in million Rupiah)

31 December 2020						
Net receivables Based on Region						
Area 1	Area 2	Area 3	Area 4	Area 5	Total	
34,156,166	-	-	-	-	34,156,166	
8,641,251	575,573	-	-	-	9,216,824	
-	-	-	-	-	-	
17,760,656	-	-	-	-	17,760,656	
381,219	-	-	-	-	381,219	
-	-	-	-	-	-	
-	-	-	-	-	-	
3,809,671	262,415	20,383	66,798	11,874	4,171,141	
44,122,685	3,502,974	234,368	1,053,573	1,460,071	50,373,672	
674,131	82,696	7,543	29,491	8,406	802,267	
4,823,858	38,039	2,709	2,940	9,835	4,877,381	
114,369,637	4,461,697	265,004	1,152,802	1,490,186	121,739,326	

(in million Rupiah)

31 December 2020						
Net Receivables by Remaining Contractual Maturity						
≤ 1 year	>1 year to 3 year	>3 year to 5 year	> 5 year	Non Contractual	Total	
(3)	(4)	(5)	(6)	(7)	(8)	
17.502.961	5,872,592	5,323,358	1,205,116	4,252,139	34,156,166	
7.709.580	1,062,348	-	444,896	-	9,216,824	
-	-	-	-	-	-	
13.031.766	835,475	80,530	72,146	3,740,739	17,760,656	
1.661	24,010	27,945	327,603	-	381,219	
-	-	-	-	-	-	
-	-	-	-	-	-	
1.317.337	1,107,146	1,145,796	600,862	-	4,171,141	
42.977.349	5,185,676	2,079,456	131,191	-	50,373,672	
650.028	67,193	67,126	17,920	-	802,267	
-	-	-	-	4,877,381	4,877,381	
83.190.682	14,154,440	8,724,211	2,799,734	12,870,259	121,739,326	

11. Credit Risk - Disclosure of Net Receivables by Economic Sector

No.	31 December 2021						
	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)	
1	Agriculture, Forestry, and Fisheries	-	-	-	-	-	
2	Mining and Quarrying	-	-	-	-	-	
3	Manufacturing	-	5,594,578	-	-	-	
4	Electricity, gas, hot water, and cold air	-	-	-	-	-	
5	Water Management, Waste Management and Recycling	-	-	-	-	-	
6	Construction	-	406,398	-	-	-	
7	Wholesale and Retail Trading; Car and Motorcycle Repair, and Maintenance	-	-	-	-	-	
8	Transportation and warehousing	-	-	-	-	-	
9	Accommodation, Food, and Drink Activities	-	-	-	-	-	
10	Information and Communication	-	-	-	-	-	
11	Financial and Insurance Activities	27,552,619	-	-	8,040,366	-	
12	Real Estate	-	-	-	-	-	
13	Professional, Scientific, and Technical Activities	-	-	-	-	-	
14	Activities in Lease and Lease without Option Rights, Labor, Travel Agents, and Other Business Support	-	-	-	-	-	
15	Government Administration, Defense, and Social Security	34,215,802	-	-	-	-	
16	Education	-	-	-	-	-	
17	Human Health Activities and Social Activities	-	-	-	-	-	
18	Arts, Entertainment, and Recreation	-	-	-	-	-	
19	Other Service Activities	-	-	-	-	-	
20	Household Activities as livelihood	-	-	-	-	-	
21	Activities of International Agencies and Other Extra International	-	-	-	-	-	
22	Non-Business Field	-	-	-	-	-	
23	Others	-	-	-	-	531,930	
	Total	61,768,421	6,000,977	-	8,040,366	531,930	

(in million rupiah)

	Loans secured by Commercial Real Estate	Employee/ Pension Loans	Receivables on Micro, Small, Business and Retails Portfolio	Receivables on Corporates	Past Due Receivables	Other Assets
	(8)	(9)	(10)	(11)	(12)	(13)
	-	-	3,998	346,080	1,073	-
	-	-	-	2,965,401	-	-
	-	-	155,048	20,490,363	245,664	-
	-	-	1,837	12,050	-	-
	-	-	-	-	-	-
	-	-	44,812	3,952,869	8,036	-
	-	-	685,596	7,474,248	327,778	-
	-	-	71,918	6,941,603	4,658	-
	-	-	23,676	75,233	4,048	-
	-	-	-	-	-	-
	-	-	-	3,306,427	-	-
	-	-	41,610	3,158,183	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	3,109,485	505	21,098	2,916,733
	-	-	4,156,127	49,114,021	612,355	2,916,733

11. Credit Risk - Disclosure of Net Receivables by Economic Sector

No.	31 December 2020						
	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)	
1	Agriculture, Forestry, and Fisheries	-	-	-	-	-	
2	Mining and Quarrying	-	-	-	-	-	
3	Manufacturing	-	2,164,920	-	-	-	
4	Electricity, gas, hot water, and cold air	-	-	-	-	-	
5	Water Management, Waste Management, and Recycling	-	-	-	-	-	
6	Construction	-	4,593,764	-	-	-	
7	Wholesale and Retail Trading; Car and Motorcycle Repair and Maintenance	-	-	-	-	-	
8	Transportation and warehousing	-	714,401	-	-	-	
9	Accommodation, Food, and Drink Activities	-	-	-	-	-	
10	Information and Communication	-	-	-	-	-	
11	Financial and Insurance Activities	5,429,804	1,743,739	-	17,760,656	-	
12	Real Estate	-	-	-	-	-	
13	Professional, Scientific, and Technical Activities	-	-	-	-	-	
14	Activities in Lease and Lease without Option Rights, Labor, Travel Agents, and Other Business Support	-	-	-	-	-	
15	Government Administration, Defense, and Social Security	28,726,362	-	-	-	-	
16	Education	-	-	-	-	-	
17	Human Health Activities and Social Activities	-	-	-	-	-	
18	Arts, Entertainment, and Recreation	-	-	-	-	-	
19	Other Service Activities	-	-	-	-	-	
20	Household Activities as livelihood	-	-	-	-	-	
21	Activities of International Agencies and Other Extra International	-	-	-	-	-	
22	Non-Business Field	-	-	-	-	6,496	
23	Others	-	-	-	-	374,723	
	Total	34,156,166	9,216,824	-	17,760,656	381,219	

(in million rupiah)

[illegible]

12. Credit Risk - Quantitative Disclosures of Receivables and Allowance by Region

(in million rupiah)

No.	Description	31 December 2021					
		Area					
		Area 1	Area 2	Area 3	Area 4	Area 5	Total
1	Receivables	112,204,615	4,270,830	369,239	249,532	104,574	117,198,790
2	Receivables with increased and impaired credit risk receivables (stage 2 and stage 3)						
	a. Non past due	21,238,852	2,060,486	116,787	45,515	85,459	23,547,099
	b. Past due	2,574,781	204,478	15,956	44,810	2,573	2,842,597
3	Allowance for Impairment Losses - Stage 1	178,372	13,279	874	1,432	84	194,042
4	Allowance for Impairment Losses - Stage 2	471,921	23,637	905	1,654	2,227	500,344
5	Allowance for Impairment Losses - Stage 3	2,286,395	180,563	40,858	6,763	386	2,514,964
6	Written-off receivables	810,138	5,789	-	-	4,752	820,678

(in million rupiah)

No.	Description	31 December 2020					
		Area					
		Area 1	Area 2	Area 3	Area 4	Area 5	Total
1	Receivables	98,701,185	4,146,159	237,170	889,621	1,491,557	105,465,692
2	Receivables with increased and impaired credit risk receivables (stage 2 and stage 3)						
	a. Non past due	12,988,113	1,026,735	114,544	26,273	15,806	14,171,470
	b. Past due	1,960,345	264,341	16,283	4,724	9,852	2,255,545
3	Allowance for Impairment Losses - Stage 1	277,787	49,074	3,208	6,246	7,182	343,497
4	Allowance for Impairment Losses - Stage 2	646,970	48,181	207	2	614	695,974
5	Allowance for Impairment Losses - Stage 3	1,842,916	183,811	21,792	2,871	1,446	2,052,836
6	Written-off receivables	495,505	35,077	12,492	9,405	750	553,229

Note:

Area 1 : Java

Area 2 : Sumatra

Area 3 : Sulawesi

Area 4 : Kalimantan

Area 5 : Others

13. Credit Risk - Quantitative Disclosures of Receivables and Allowance by Economic Sector

(in million rupiah)

31 December 2021								
No.	Economic Sectors	Receivables	Receivables with increased and impaired credit risk		Allowance for Impairment Losses - Stage 1	Allowance for Impairment Losses - Stage 2	Allowance for Impairment Losses - Stage 3	Written-Off Receivables
			Non Past Due	Past Due				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Agriculture, Forestry, and Fisheries	365,852	243	15,728	1,884	73	14,655	-
2	Mining and Quarrying	2,370,584	1,362,910	-	5,424	8,329	-	-
3	Manufacturing	25,424,757	10,134,958	1,428,824	66,464	218,652	1,227,173	500,180
4	Electricity, gas, hot water, and cold air	1,837	-	-	10	-	-	-
5	Water Management, Waste Management and Recycling	-	-	-	-	-	-	-
6	Construction	4,111,587	3,527,044	34,049	2,007	4,066	28,164	44,006
7	Wholesale and Retail Trading; Car and Motorcycle Repair and Maintenance	7,929,197	2,390,005	1,046,334	31,911	42,887	819,972	37,833
8	Transportation and warehousing	6,853,190	4,101,659	286,903	13,233	105,765	357,831	5,789
9	Accommodation activities and Food and Drink	106,911	59,591	23,560	123	1,898	19,512	-
10	Information and Communication	-	-	-	-	-	-	-
11	Financial and Insurance Activities	35,632,818	45,000	-	29,582	2	-	-
12	Real Estate	2,997,641	1,069,837	-	10,331	7,822	12,207	4,752
13	Professional, Scientific, and Technical Activities	-	-	-	-	-	-	-
14	Activities in Lease and Lease without Option Rights, Labor, Travel Agents, and Other Business Support	-	-	-	-	-	-	-
15	Government Administration, Defense, and Social Security	24,155,510	-	-	-	-	-	-
16	Education	-	-	-	-	-	-	-
17	Human Health Activities and Social Activities	422,980	383,256	-	207	16,108	-	-
18	Arts, Entertainment, and Recreation	-	-	-	-	-	-	-
19	Other Service Activities	-	-	-	-	-	-	-
20	Household Activities as livelihood	-	-	-	-	-	-	-
21	Activities of International Agencies and Other Extra International	-	-	-	-	-	-	-
22	Non-Business Field	-	-	-	-	-	-	-
23	Others	6,709,942	472,595	7,199	32,866	94,742	35,450	228,118
	Total	117,082,806	23,547,099	2,842,597	194,042	500,344	2,514,964	820,678

13. Credit Risk - Quantitative Disclosures of Receivables and Allowance by Economic Sector

(in million rupiah)

31 December 2020								
No.	Economic Sectors	Receivables	Receivables with increased and impaired credit risk		Allowance for Impairment Losses - Stage 1	Allowance for Impairment Losses - Stage 2	Allowance for Impairment Losses - Stage 3	Written-Off Receivables
			Non Past Due	Past Due				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Agriculture, Forestry, and Fisheries	638,948	129,154	15,610	2,903	291	13,006	-
2	Mining and Quarrying	1,210,870	79,368	-	6,542	157	-	-
3	Manufacturing	25,012,643	6,988,479	671,500	116,633	295,523	704,701	189,515
4	Electricity, gas, hot water, and cold air	5,241	-	-	30	-	-	-
5	Water Management, Waste Management, and Recycling	-	-	-	-	-	-	-
6	Construction	5,358,831	1,707,691	75,263	24,875	18,422	71,260	3,554
7	Wholesale and Retail Trading; Car and Motorcycle Repair and Maintenance	9,789,339	2,822,874	1,010,887	91,445	75,612	741,470	61,479
8	Transportation and warehousing	6,224,493	633,752	392,688	31,121	13,581	414,411	2,192
9	Accommodation activities and Food and Drink	105,607	16,562	23,710	376	615	14,695	-
10	Information and Communication	-	-	-	-	-	-	-
11	Financial and Insurance Activities	24,158,326	209,133	-	21,396	455	-	-
12	Real Estate	3,057,539	268,257	52,432	15,811	165	14,999	801
13	Professional, Scientific, and Technical Activities	-	-	-	-	-	-	-
14	Activities in Lease and Lease without Option Rights, Labor, Travel Agents, and Other Business Support	-	-	-	-	-	-	-
15	Government Administration, Defense, and Social Security	19,433,514	-	-	8,199	2,263	-	-
16	Education	-	-	-	-	-	-	-
17	Human Health Activities and Social Activities	1,496,182	75,763	-	-	-	-	481
18	Arts, Entertainment, and Recreation	-	-	-	-	-	-	-
19	Other Service Activities	-	-	-	-	-	-	-
20	Household Activities as livelihood	-	-	-	-	-	-	-
21	Activities of International Agencies and Other Extra International	-	-	-	-	-	-	-
22	Non-Business Field	9,398	-	-	268	-	-	-
23	Others	8,964,761	1,240,437	13,455	23,898	288,891	78,295	295,207
Total		105,465,692	14,171,470	2,255,545	343,497	695,975	2,052,837	553,229

14. Credit Risk - Disclosure of Detailed Changes in Allowances for Impairment Losses

(in million rupiah)

No.	Description	31 December 2021		
		Stage 1	Stage 2	Stage 3
(1)	(2)	(3)	(4)	(5)
1	Beginning balance of allowance for impairment losses ^{*)}	375,924	751,496	2,097,638
2	Additional/reversal allowance for impairment losses during the year (net)	(133,645)	(222,975)	1,104,674
3	Allowance for impairment losses used to cover written off receivables during the year	-	-	(820,678)
4	Other additional (reversal) allowance during the year ^{**)}	(27,176)	(9,690)	137,642
Ending Balance of Allowance for Impairment Losses		215,103	518,831	2,519,276

^{*)} After impact of PSAK 71 implementation for 31 December 2020 position.^{**)} Recovery, FX rate exchange and transfer between staging^{***)} Disclosure on detail movements of allowance for impairment losses is including movements of allowance for impairment losses on commitment and contingency and investment securities at fair value through other comprehensive income**14. Credit Risk - Disclosure of Detailed Changes in Allowances for Impairment Losses**

(in million rupiah)

No.	Description	31 December 2020		
		Stage 1	Stage 2	Stage 3
(1)	(2)	(3)	(4)	(5)
1	Beginning balance of allowance for impairment losses ^{*)}	280,332	279,819	1,431,069
2	Additional/reversal allowance for impairment losses during the year (net)	20,211	573,254	1,123,669
3	Allowance for impairment losses used to cover written off receivables during the year	-	-	(553,229)
4	Other additional (reversal) allowance during the year ^{**)}	75,381	(101,577)	96,129
Ending Balance of Allowance for Impairment Losses		375,924	751,496	2,097,638

^{*)} After impact of PSAK 71 implementation for 31 December 2020 position.^{**)} Recovery, FX rate exchange and transfer between staging^{***)} Disclosure on detail movements of allowance for impairment losses is including movements of allowance for impairment losses on commitment and contingency and investment securities at fair value through other comprehensive income

15. Credit Risk - Disclosure of Net Receivables based on Portfolio and Rating

No.	Portfolio Category	Long-Term Rating					
		Company Rating					
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	
		Moody's	Aaa	Aa1 to AA3	A1 to A3	Baaa1 to 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)	
1	Receivables on Government		-	-	-	61,768,421	
2	Receivables on Public Sector Entities		-	1,073,589	3,420,627	-	
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-		
4	Receivables on Banks		40,148	2,228,854	1,765,308	484,532	
5	Loans Secured by Residential Property		-	-	-	-	
6	Loan Secured by Commercial Real Estate		-	-	-	-	
7	Employee/Pensions Loans		-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio		-	-	-	-	
9	Receivables on Corporate		1,546,840	1,391,764	964,586	1,231,984	
10	Past Due Receivables		-	-	-	-	
11	Other Assets		-	-	-	-	
	Total		1,586,988	4,694,207	6,150,521	63,484,937	

(in million Rupiah)

31 December 2021

				Short-Term Rating				Unrated	Total
	BB+ to BB-	B+ to B-	Lower than B-	A-1	A-2	A-3	Lower than A-3		
	BB+ to BB-	B+ to B-	Lower than B-	F1+ to F1	F2	F3	Lower than F3		
	Ba1 to Ba3	B1 to B3	Lower than B3	P-1	P-2	P-3	Lower than P-3		
	BB+ (idn) to BB- (idn)	B+ (idn) to B- (idn)	Lower than B- (idn)	F1+ (idn) to F1 (idn)	F2 (idn)	F3 (idn)	Lower than F3 (idn)		
	(ldr) BB+ to (ldr) BB-	(ldr) B+ to (ldr) B-	Lower than (ldr) B-	(ldr) A1+ to (ldr) A1	(ldr) A2+ to (ldr) A2	(ldr) A3+ to (ldr) A4	Lower than (ldr) A3		
	id BB+ to id BB	id B+ to id B-	Lower than id B-	id A1	id A2	id A3 to A4	Lower than id A4		
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	-	-	-	-	-	-	-	-	61,768,421
	-	-	-	-	-	-	-	1,506,761	6,000,977
	-	-	-	-	-	-	-	-	-
	29,439	-	-	-	-	-	-	3,492,085	8,040,366
	-	-	-	-	-	-	-	531,930	531,930
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	4,156,127	4,156,127
	2,092,490	599,169	-	-	-	-	-	41,287,188	49,114,021
	-	-	-	-	-	-	-	612,355	612,355
	-	-	-	-	-	-	-	2,916,733	2,916,733
	2,121,929	599,169	-	-	-	-	-	54,503,179	133,140,930

15. Credit Risk - Disclosure of Net Receivables based on Portfolio and Rating

No.	Portfolio Category	Long-Term Rating				
		Company Rating				
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Moody's	Aaa	Aa1 to AA3	A1 to A3	Baaa1 to 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)
1	Receivables on Government		-	-	-	34,156,166
2	Receivables on Public Sector Entities		551,185	196	4,626,105	200,000
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		169,594	15,299,674	726,218	962,234
5	Loans Secured by Residential Property					
6	Loan Secured by Commercial Real Estate					
7	Employee/Pensions Loans					
8	Receivables on Micro, Small Business, & Retail Portfolio					
9	Receivables on Corporate		2,054,266	263,841	1,243,267	507,067
10	Past Due Receivables					
11	Other Assets					
	Total		2,775,045	15,563,711	6,595,590	35,825,467

(in million Rupiah)

31 December 2020

				Short-Term Rating				Unrated	Total
	BB+ to BB-	B+ to B-	Lower than B-	A-1	A-2	A-3	Lower than A-3		
	BB+ to BB-	B+ to B-	Lower than B-	F1+ to F1	F2	F3	Lower than F3		
	Ba1 to Ba3	B1 to B3	Lower than B3	P-1	P-2	P-3	Lower than P-3		
	BB+ (idn) to BB- (idn)	B+ (idn) to B- (idn)	Lower than B- (idn)	F1+ (idn) to F1 (idn)	F2 (idn)	F3 (idn)	Lower than F3 (idn)		
	(ldr) BB+ to (ldr) BB-	(ldr) B+ to (ldr) B-	Lower than (ldr) B-	(ldr) A1+ to (ldr) A1	(ldr) A2+ to (ldr) A2	(ldr) A3+ to (ldr) A4	Lower than (ldr) A3		
	id BB+ to id BB	idB+ to id B-	Lower than id B-	id A1	id A2	id A3 to A4	Lower than id A4		
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	-	-	-	-	-	-	-	-	34,156,166
				-	-	-	-	3,839,338	9,216,824
	-	-	-	-	-	-	-	-	-
	30,089	14,774	4,961	-	-	-	-	553,112	17,760,656
								381,219	381,219
								-	-
								-	-
								4,171,141	4,171,141
	1,670,560	179,683	-	-	-	-	-	44,454,988	50,373,672
								802,267	802,267
								4,877,381	4,877,381
	1,700,649	194,457	4,961	-	-	-	-	59,079,446	121,739,326

16. Credit Risk - Disclosures of Net Charges by Risks Weight After Considering Credit Risks Mitigating Impact

No.	Portfolio Category	Net receivable after			
		0%	20%	25%	
(1)	(2)	(3)	(4)	(5)	
A Balance Sheet Exposure					
1	Receivables on Government	51,708,129	-	-	
2	Receivables on Public Sector Entities	-	1,001,419	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	
4	Receivables on Banks	-	4,350,653	-	
5	Loans Secured by Residential Property	-	217,927	165,415	
6	Loans Secured by Commercial Real Estate	-	-	-	
7	Employee loans/Pension	-	-	-	
8	Receivables on Micro, Small Business, & Retail Portfolio	-	-	-	
9	Receivables on Corporate	-	2,354,715	-	
10	Past Due Receivables	-	-	-	
11	Other Assets	429,856	-	-	
Total Balance Sheet Exposure		52,137,985	7,924,714	165,415	
B Administrative Account Exposure					
1	Receivables on Government	-	-	-	
2	Receivables on Public Sector Entities	-	72,169	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	
4	Receivables on Banks	-	24,169	-	
5	Loans Secured by Residential Property	-	-	-	
6	Loan Secured by Commercial Real Estate	-	-	-	
7	Employee loans/Pension	-	-	-	
8	Receivables on Micro, Small Business, & Retail Portfolio	-	-	-	
9	Receivables on Corporate	-	583,882	-	
10	Past Due Receivables	-	-	-	
Total Administrative Account Exposure		-	680,220	-	
C Counterparty Credit Risk Exposure					
1	Receivables on Government	10,060,292	-	-	
2	Receivables on Public Sector Entities	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	
4	Receivables on Banks	-	195,082	-	
5	Receivables on Micro, Small Business, & Retail Portfolio	-	-	-	
6	Receivables on Corporate	-	7	-	
Total Counterparty Credit Risk Exposure		10,060,292	195,089	-	

(in million Rupiah)

31 December 2021							RWA	Capital Charge
Credit Risks Mitigation								
	35%	50%	75%	100%	150%	Others		
	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	-	-	-	-	-		-	-
	-	4,575,364	-	-	-		2,487,966	199,037
	-	-	-	-	-		-	-
	-	482,535	-	-	-		1,111,399	88,912
	148,588	-	-	-	-		136,945	10,956
	-	-	-	-	-		-	-
	-	-	-	-	-		-	-
	-	-	3,801,801	-	-		2,851,351	228,108
	-	857,069	-	38,877,250	575,654		40,640,208	3,251,217
	-	-	-	2,129	609,068		915,730	73,258
	-	-	-	2,348,443	138,434		2,556,095	204,488
	148,588	5,914,968	3,801,801	41,227,822	1,323,156	-	50,699,694	4,055,976
	-	-	-	-	-		-	-
	-	352,025	-	-	-		190,446	15,236
	-	-	-	-	-		-	-
	-	2,274,491	-	21,622	-		1,163,701	93,096
	-	-	-	-	-		-	-
	-	-	-	-	-		-	-
	-	-	-	-	-		-	-
	-	-	6,188	-	-		4,641	371
	-	104,918	-	4,369,180	22,516		4,572,190	365,775
	-	-	-	-	-		-	-
	-	2,731,434	6,188	4,390,802	22,516	-	5,930,978	474,478
	-	-	-	-	-		-	-
	-	-	-	-	-		-	-
	-	-	-	-	-		-	-
	-	685,319	-	6,496	-		388,171	31,054
	-	-	9	-	-		7	1
	-	2,600	-	176,483	-		177,784	14,223
	-	687,919	9	182,979	-	-	565,962	45,277

16. Credit Risk - Disclosures of Net Charges by Risks Weight After Considering Credit Risks Mitigating Impact

No.	Portfolio Category	Net receivable after			
		0%	20%	25%	
(1)	(2)	(3)	(4)	(5)	
A Balance Sheet Exposure					
1	Receivables on Government	24,837,966	-	-	
2	Receivables on Public Sector Entities	-	551,381	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	
4	Receivables on Banks	-	14,886,515	-	
5	Loans Secured by Residential Property	-	189,808	118,478	
6	Loans Secured by Commercial Real Estate	-	-	-	
7	Employee loans/Pension	-	-	-	
8	Receivables on Micro, Small Business, & Retail Portfolio	-	-	-	
9	Receivables on Corporate	-	2,006,243	-	
10	Past Due Receivables	-	-	-	
11	Other Assets	627,207			
Total Balance Sheet Exposure		25,465,173	17,633,947	118,478	
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	-	950,723	-	
5	Loans Secured by Residential Property	-	-	-	
6	Loan Secured by Commercial Real Estate	-	-	-	
7	Employee loans/Pension	-	-	-	
8	Receivables on Micro, Small Business, & Retail Portfolio	-	-	-	
9	Receivables on Corporate	-	310,523	-	
10	Past Due Receivables	-	-	-	
Total Administrative Account Exposure		-	1,261,246	-	
C Counterparty Credit Risk Exposure					
1	Receivables on Government	9,318,200	-	-	
2	Receivables on Public Sector Entities	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	
4	Receivables on Banks	-	225,218	-	
5	Receivables on Micro, Small Business, & Retail Portfolio	-	-	-	
6	Receivables on Corporate	-	1,343	-	
Total Counterparty Credit Risk Exposure		9,318,200	226,561	-	

(in million Rupiah)

31 December 2020							RWA	Capital Charge
Credit Risks Mitigation								
	35%	50%	75%	100%	150%	Others		
	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	-	-	-	-	-	-	-	-
	-	7,418,971	-	-	-	-	3,819,762	305,581
	-	-	-	-	-	-	-	-
	-	419,208	-	-	1,444	-	3,189,073	255,126
72,933	-	-	-	-	-	-	93,108	7,449
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	4,000,555	-	-	-	3,000,416	240,033
	-	1,237,460	-	39,584,507	179,683	45,062,586	40,874,011	3,269,921
	-	-	-	4,394	797,461	11,131	1,200,586	96,047
				4,108,025	142,149	4,452,352	4,321,248	345,700
72,933	9,075,639	4,000,555	43,696,926	1,120,737	49,526,069	56,498,204	4,519,856	
	-	-	-	-	-	-	-	-
	-	1,246,472	-	-	-	-	623,236	49,859
	-	-	-	-	-	-	-	-
	-	264,142	-	-	-	-	322,216	25,777
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	3,504	-	-	-	2,628	210
	-	-	-	5,270,673	-	5,273,886	5,332,778	426,622
	-	-	-	-	412	-	619	50
-	1,510,614	3,504	5,270,673	412	5,273,886	6,281,477	502,518	
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	1,013,406	-	-	-	24,628	551,747	44,140
	-	-	-	-	-	-	-	-
	-	5,808	-	438,437	-	345,633	441,610	35,329
-	1,019,214	-	438,437	-	370,261	993,357	79,469	

17. Credit Risk - Disclosure of Net Receivables and Credit Risk Mitigation Techniques

(in million Rupiah)

No.	Portfolio Category	31 December 2021					
		Net Receivables	Secured by				Unsecured Portion
			Collateral	Guarantee	Credit Insurance	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3) - [(4)+(5)+(6)+(7)]
A Balance Sheet Exposure							
1	Receivables on Government	51,708,129	-	-	-		51,708,129
2	Receivables on Public Sector Entities	5,576,783	-	-	-		5,576,783
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	4,833,188	-	-	-		4,833,188
5	Loans Secured by Residential Property	531,930	-	-	-		531,930
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Employee loans/Pension	-	-	-	-		-
8	Receivables on Micro, Small Business, & Retail Portfolio	4,149,930	348,128	-	-		3,801,802
9	Receivables on Corporate	43,854,435	1,189,748	-	-		42,664,687
10	Past Due Receivables	612,355	-	-	-		612,355
11	Other Assets	2,916,733	-	-	-		2,916,733
	Total Balance Sheet Exposure	114,183,483	1,537,876	-	-	-	112,645,607
B Administrative Account Exposure							
1	Receivables on Government	-	-	-	-		-
2	Receivables on Public Sector Entities	424,194	-	-	-		424,194
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	2,320,282	-	-	-		2,320,282
5	Loans Secured by Residential Property	-	-	-	-		-
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Employee loans/Pension	-	-	-	-		-
8	Receivables on Micro, Small Business, & Retail Portfolio	6,188	-	-	-		6,188
9	Receivables on Corporate	5,080,496	-	-	-		5,080,496
10	Past Due Receivables	-	-	-	-		-
	Total Administrative Account Exposure	7,831,160	-	-	-	-	7,831,160
C Counterparty Credit Risk Exposure							
1	Receivables on Government	10,060,292	-	-	-		10,060,292
2	Receivables on Public Sector Entities	-	-	-	-		-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	886,896	-	-	-		886,896
5	Receivables on Micro, Small Business, & Retail Portfolio	9	-	-	-		9
6	Receivables on Corporate	179,090	-	-	-		179,090
	Total Counterparty Credit Risk Exposure	11,126,287	-	-	-	-	11,126,287
	Total (A+B+C)	133,140,930	1,537,876	-	-	-	131,603,054

17. Credit Risk - Disclosure of Net Receivables and Credit Risk Mitigation Techniques

(in million Rupiah)

No.	Portfolio Category	31 December 2020					
		Net Receivables	Secured by				Unsecured Portion
			Collateral	Guarantee	Credit Insurance	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3) - [(4)+(5)+(6)+(7)]
A Balance Sheet Exposure							
1	Receivables on Government	24,837,966	-	-	-		24,837,966
2	Receivables on Public Sector Entities	7,970,352	-	-	-		7,970,352
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	15,307,167	-	-	-		15,307,167
5	Loans Secured by Residential Property	381,219	-	-	-		381,219
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Employee loans/Pension	-	-	-	-		-
8	Receivables on Micro, Small Business, & Retail Portfolio	4,167,637	167,082	-	-		4,000,555
9	Receivables on Corporate	44,346,888	1,338,996	-	-		43,007,892
10	Past Due Receivables	801,855	-	-	-		801,855
11	Other Assets	4,877,381	-	-	-		4,877,381
	Total Balance Sheet Exposure	102,690,465	1,506,078	-	-	-	101,184,387
B Administrative Account Exposure							
1	Receivables on Government	-	-	-	-		-
2	Receivables on Public Sector Entities	1,246,472	-	-	-		1,246,472
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	1,214,865	-	-	-		1,214,865
5	Loans Secured by Residential Property	-	-	-	-		-
6	Loans Secured by Commercial Real Estate	-	-	-	-		-
7	Employee loans/Pension	-	-	-	-		-
8	Receivables on Micro, Small Business, & Retail Portfolio	3,504	-	-	-		3,504
9	Receivables on Corporate	5,581,196	-	-	-		5,581,196
10	Past Due Receivables	412	-	-	-		412
	Total Administrative Account Exposure	8,046,449	-	-	-	-	8,046,449
C Counterparty Credit Risk Exposure							
1	Receivables on Government	9,318,200	-	-	-		9,318,200
2	Receivables on Public Sector Entities	-	-	-	-		-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-		-
4	Receivables on Banks	1,238,624	-	-	-		1,238,624
5	Receivables on Micro, Small Business, & Retail Portfolio	-	-	-	-		-
6	Receivables on Corporate	445,588	-	-	-		445,588
	Total Counterparty Credit Risk Exposure	11,002,412	-	-	-	-	11,002,412
	Total (A+B+C)	121,739,326	1,506,078	-	-	-	120,233,248

18. Credit Risk - Credit Risk Calculation Standard Approach - Disclosure of Asset Exposure in Balance Sheet**1. Asset Exposure in the balance sheet, except on the security exposure**

(in million Rupiah)

No	Portfolio Category	31 December 2021			31 December 2020		
		Net Receivables	RWA before CRM	RWA after CRM	Net Receivables	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(3)	(4)	(5)
1	Receivables on Government						
	a. Receivables on the Government of Indonesia	51,708,129	-	-	24,837,966	-	-
	b. Receivables on Government of Other Countries	-	-	-	-	-	-
2	Receivables on Public Sector Entities	5,576,783	2,487,966	2,487,966	7,970,352	3,819,762	3,819,762
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks						
	a. Short-term Receivables	4,350,653	870,131	870,131	14,899,155	2,985,067	2,985,067
	b. Long-Term Receivables	482,535	241,268	241,268	408,012	204,006	204,006
5	Loans Secured by Residential Property	531,930	136,945	136,945	381,219	93,108	93,108
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee loans/Pension	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	4,149,930	3,112,447	2,851,351	4,167,637	3,125,728	3,000,416
9	Receivables on Corporates	43,854,435	41,829,956	40,640,208	44,346,888	42,213,006	40,874,011
10	Past Due Receivables						
	a. Loan Secured by Residential Property	2,129	2,129	2,129	4,394	4,394	4,394
	b. Other than Loan Secured by Residential Property	610,226	915,339	913,601	797,461	1,196,192	1,196,192
11	Other Assets						
	a. Cash, gold, commemorative coin	429,856		-	627,207		-
	b. Equity (other than factoring on capital deduction)			-			-
	1) Temporary equity capital on credit restructuring	-		-	-		-
	2) Equity capital on unlisted financial companies	-		-	-		-
	3) Equity capital on listed financial companies	-		-	-		-
	c. Fixed assets and net inventory	833,454		833,454	570,616		570,616
	d. Foreclosed collaterals (AYDA)	138,434		207,652	142,149		213,223
	e. Net interbranch	-		-	-		-
	f. Others	1,514,989		1,514,989	3,537,409		3,537,409
Total		114,183,483	49,596,181	50,699,694	102,690,465	53,641,263	56,498,204

18. Credit Risk - Credit Risk Calculation Standard Approach - Disclosure of Asset Exposure in Balance Sheet**2. Commitment/Contingency Exposure Obligation on Administrative Account Transaction, except for security exposure**

(in million Rupiah)

No	Portfolio Category	31 December 2021			31 December 2020		
		Net Receivables	RWA before CRM	RWA after CRM	Net Receivables	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(3)	(4)	(5)
1	Receivables on Government						
	a. Receivables on the Government of Indonesia	-	-	-	-	-	-
	b. Receivables on Government of Other Countries	-	-	-	-	-	-
2	Receivables on Public Sector Entities	424,194	190,446	190,446	1,246,472	623,236	623,236
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks						
	a. Short-term Receivables	-	-	-	-	-	-
	b. Long-Term Receivables	2,320,282	1,163,701	1,163,701	1,214,865	322,216	322,216
5	Loans Secured by Residential Property	-	-	-	-	-	-
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee loans/Pension	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	6,188	4,641	4,641	3,504	2,628	2,628
9	Receivables on Corporates	5,080,496	4,572,190	4,572,190	5,581,196	5,332,778	5,332,778
10	Past Due Receivables						
	a. Loan Secured by Residential Property	-	-	-	-	-	-
	b. Other than Loan Secured by Residential Property	-	-	-	412	619	619
Total		7,831,160	5,930,978	5,930,978	8,046,449	6,281,477	6,281,477

18. Credit Risk - Credit Risk Calculation Standard Approach - Disclosure of Asset Exposure in Balance Sheet**3. Asset Exposure in the balance sheet, except on the security exposure**

(in million Rupiah)

No	Portfolio Category	31 December 2021			31 December 2020		
		Net Receivables	RWA before CRM	RWA after CRM	Net Receivables	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(3)	(4)	(5)
1	Receivables on Government						
	a. Receivables on the Government of Indonesia	10,060,292	-	-	9,292,848	-	-
	b. Receivables on Government of Other Countries	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks						
	a. Short-term Receivables	-	-	-	-	-	-
	b. Long-Term Receivables	-	-	-	-	-	-
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-
6	Receivables on Corporates	-	-	-	-	-	-
Total		10,060,292	-	-	9,292,848	-	-

18. Credit Risk - Credit Risk Calculation Standard Approach - Disclosure of Asset Exposure in Balance Sheet**4. Exposure that does not cause Credit Risk because of Settlement Risk**

The Bank does not have any exposure that caused credit risk because of settlement risk as of 31 December 2021 and 31 December 2020.

5. Securitisation Exposure

The Bank does not have securitisation exposure as of 31 December 2021 dan 31 December 2020.

18. Credit Risk - Credit Risk Calculation Standard Approach - Disclosure of Asset Exposure in Balance Sheet**6. Derivative Exposure**

(in million Rupiah)

No	Portfolio Category	31 December 2021			31 December 2020		
		Net Receivables	RWA before CRM	RWA after CRM	Net Receivables	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(3)	(4)	(5)
1	Receivables on Government						
	a. Receivables on the Government of Indonesia	-	-	-	25,352	-	-
	b. Receivables on Government of Other Countries	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks						
	a. Short-term Receivables	60,879	12,572	12,572	47,993	9,599	9,599
	b. Long-Term Receivables	826,017	375,599	375,599	1,190,631	542,148	542,148
5	Receivables on Micro, Small Business & Retail Portfolio	9	7	7	-	-	-
6	Receivables on Corporates	179,090	177,784	177,784	445,588	441,610	441,610
7	Weighted exposure from CVA		218,015	218,015		218,015	218,015
Total		1,065,995	783,977	783,977	1,709,564	1,211,372	1,211,372

18. Credit Risk - Credit Risk Calculation Standard Approach - Disclosure of Asset Exposure in Balance Sheet**7. Total Credit Risk Measurement (1+2+3+4+5+6)**

(in million Rupiah)

No	Description		31 December 2021	31 December 2020
1	Total Credit Risk RWA	(A)	57,414,649	63,991,053
2	Deduction Factor Of Credit Risk RWA Difference between general reserve of PPKA on productive assets that has to be calculated and 1.25% of RWA for Credit Risk	(B)	-	(11,963)
3	Total Credit Risk RWA (A) - (B)	(C)	57,414,649	63,979,090
4	Total Capital Deduction Factor	(D)	-	(11,963)

19. Credit Risk - Qualitative Disclosures of Counterparty Credit Risk (CCRA)

For more detail see page 93.

20. Credit Risk - Exposure Analysis of Counterparty Credit Risk (CCR1)

(in million Rupiah)

No	Description	31 December 2021					
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for EAD regulatory calculation	Net Receivables	RWA
1	SA-CCR (for derivative)	202,641	558,784		1.4	1,065,995	565,962
2	Internal Model Method (for derivative and SFT)					N/A	N/A
3	Basic Approach for credit risk mitigation (for SFT)					N/A	N/A
4	Comprehensive approach for credit risk mitigation (for SFT)						
5	VaR for SFT					N/A	N/A
Total							565,962

(in million Rupiah)

No	Description	31 December 2020					
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for EAD regulatory calculation	Net Receivables	ATMR
1	SA-CCR (for derivative)	671,498	549,618		1.4	1,709,564	993,356
2	Internal Model Method (for derivative and SFT)					N/A	N/A
3	Basic Approach for credit risk mitigation (for SFT)					N/A	N/A
4	Comprehensive approach for credit risk mitigation (for SFT)						
5	VaR for SFT					N/A	N/A
Total							993,356

21. Credit Risk - Capital Charge on Credit Valuation Adjustment (CCR2)

No	Description	31 December 2021		31 December 2020	
		Net Receivables	RWA	Net Receivables	RWA
	Total portfolios based on Advanced CVA capital charge	N/A	N/A	N/A	N/A
1	(i) VaR components (includes 3x multiplier)		N/A		N/A
2	(ii) Stressed VaR Component (includes 3x multiplier)		N/A		N/A
3	All portfolios on Standardized CVA Capital Charge	1,065,995	208,833	1,709,521	218,015
4	Total based on CVA Capital Charge	1,065,995	208,833	1,709,521	218,015

22. Credit Risk - CCR Exposure based on Category Portfolio and Weighted Risk (CCR3)

Description		31 December 2021						
Portfolio Category	Risk Weight	0%	10%	20%	25%	50%	75%	100%
Indonesia								
Receivables on Government and Central Bank		-	-	-	-	-	-	-
Receivables on Public Sector Entities		-	-	-	-	-	-	-
Receivables on Multilateral Development Banks and International Institutions		-	-	-	-	-	-	-
Receivables on Other Banks				139,344		489,513		4,640
Receivables on Securities Firms		-	-	-	-	-	-	-
Receivables on Corporate		-	-	5	-	1,857	-	126,059
Receivables on Micro, Small Business, & Retail Portfolio		-	-	-	-	-	6	-
Other Assets		-	-	-	-	-	-	-
Total		-	-	139,349	-	491,370	6	130,699

23. Credit Risk - Exposure to net credit derivative receivables (CCR6)

The Bank has no exposure to net credit derivative receivables.

24. Qualitative Disclosure of Securitization Exposure (SECA)

The Bank does not have any securitization exposure in Bank book and trading book report.

25. Securitization Exposure on Banking Book (SEC1)

The Bank does not act as originator, sponsor, nor investor of securitization exposures.

26. Credit Risk - Securitization Exposure on Trading Book (SEC2)

The Bank does not act as originator, sponsor, nor investor of securitization exposures.

27. Credit Risk - Securitization Exposure on Banking Book and related to its capital requirement – Bank as Originator or sponsor (SEC3)

The Bank does not act as originator nor sponsor of securitization exposures

28. Credit Risk - Securitization Exposure on Banking Book and related to its capital requirement - Bank Investor (SEC4)

The Bank does not act as investor of securitization exposures.

			31 December 2020								
	Others	Total Net Receivables	0%	10%	20%	25%	50%	75%	100%	Others	Total Net Receivables
-	-	18,108	-	-	-	-	-	-	-	-	25,352
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
	886,895			160,870		723,861					1,238,623
-	-	-	-	-	-	-	-	-	-	-	-
-	179,091	-	-	959	-	4,148	-	313,169	-	-	445,588
-	9	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	1,065,995	18,108	-	161,829	-	728,009	-	313,169	-	-	1,709,564

29. Disclosures of Market Risks Using Standard Method

(in million Rupiah)

No.	Type of Risk	31 December 2021		31 December 2020	
		Individual		Individual	
		Capital Charge	RWA	Capital Charge	RWA
(1)	(2)	(3)	(4)	(3)	(4)
1	Interest Rate Risk				
	a. Specific Risk	-	-	-	-
	b. General Risk	89,116	1,113,950	90,060	1,125,750
2	Foreign Exchange Risk	28,083	351,038	48,583	607,288
3	Equity Risk *)				
4	Commodity Risk *)				
5	Option Risk	-	-	-	-
TOTAL		117,199	1,464,988	138,643	1,733,038

*) Applicable for Bank with subsidiary which has the aforementioned risk exposure

30. Implementation of Risk Management in 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.

IRRBB is calculated every quarter which is in line with OJK's requirement.

In measuring IRRBB Risk, the Bank uses 2 methods:

- a). 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
- b). 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.

At this time, Bank does not perform hedging for IRRBB purpose.

The main modeling assumption and parameter used in calculating Δ EVE and Δ NII, at the minimum, include the following:

- a) commercial margins and other spread components are excluded in calculations using the EVE method. The interest calculated is the interest rate based on Risk Free rate.
- b) The Bank uses historical data for the last one year to assess the frequency of repricing tenor on the interest bearing NMD products. Meanwhile, for non-interest bearing NMD products, the bank used a theoretical tenor. Subsequently, the Bank will consider the ability of Balance Sheet Management (BSM) to hedge against the NMD. The final figure used as repricing maturities is after considering BSM hedging constraint.
- c) Currently, the Bank does not consider the prepayment rate and early withdrawal rate, since the exposure to the prepayment rate and early withdrawal is considered immaterial.
- d) The Bank does not have assumptions on behavior options issued in the calculation of EVE and NII Sensitivity.
- e) Significant currencies that apply to HBID are Rupiah and US\$. The Bank uses a standard method in accordance with the SEOJK in carrying out stress scenarios and aggregating the impact of significant currencies on stress scenarios.

EVE and NII Sensitivity reporting is using quarterly positions according to the standard method stipulated by OJK.

Based on the Bank's calculation methodology as of December 2021, Δ EVE to Tier 1 Capital is at 8.70% (Low) and Δ NII against Projection of Income is at 8.50% (Low), both of which indicate a low level of sensitivity. NII Sensitivity from September 2021 to December 2021 increased by 2.47% due to lower time deposit volume and yield which resulted to lower interest expense and increase the NII in December 2021. In addition, it was due to lower yield from the asset side and have shorter duration. EVE sensitivity from September 2021 to December 2021 has decreased by 0.93% due to shorter commercial surplus duration and lower yield compared to advances.

The average interest rate repricing applied for NMD in Rupiah is one year, this applies to Non-Interest Bearing Corporate NMD products and retail NMD products. Meanwhile, the average interest rate repricing applied for NMD in US\$ is three months.

Calculation of IRRBB

Bank Name : PT Bank HSBC Indonesia
Report Position : December/2021
Currency : Total

No	In Million Rupiah	Δ EVE		Δ NII	
	Period	T	T-1	T	T-1
1	Parallel up	1,492,916	1,659,289	(333,074)	(241,406)
2	Parallel down	(1,723,362)	(1,884,832)	504,284	415,587
3	Steepener	(116,530)	(270,999)		
4	Flattener	454,685	637,517		
5	Short rate up	1,028,924	1,243,374		
6	Short rate down	(1,111,210)	(1,343,469)		
7	Negative Maximum Value (absolute)	1,723,362	1,884,832	333,074	241,406
8	Tier 1 Capital (to Δ EVE) or Projected Income (to Δ NII)	19,809,694	19,577,135	3,916,318	4,006,240
9	Maximum Value divided by Tier 1 Capital (to ΔEVE) or Projected Income (to ΔNII)	8.70%	9.63%	8.50%	6.03%

31. Liquidity Risk - Disclosure of Liquidity Coverage Ratio (LCR) Quarter

No	Components		
		Q4 2021	
		Outstanding commitment and liabilities/contractual receivables	
1	Total data used in LCR calculation		
HIGH QUALITY LIQUID ASSET (HQLA)			
2	Total High Quality Liquid Asset (HQLA)		
CASH OUTFLOWS			
3	Retail deposits and deposits from Micro and Small Business customers, consist of:		
	a. Stable Deposit/Funding	7,958,391	
	b. Less stable deposit/funding	15,985,101	
4	Wholesale Funding, consist of:		
	a. Operational deposit	25,822,446	
	b. Non operational deposit and/or Other Non Operational liabilities	34,921,625	
	c. Marketable securities issued by bank	-	
5	Secured Funding		
6	Other cash outflow (additional requirement), consist of:		
	a. cash outflow from derivative transaction	74,601	
	b. cash outflow from additional liquidity requirement	-	
	c. cash outflow from liquidation of funding	-	
	d. cash outflow from disbursement of loan commitment and liquidity facilities	9,450,801	
	e. cash outflow from other contractual liabilities related to placement of funds	-	
	f. cash outflow from other funding related contingencies liabilities	105,248,946	
	g. other contractual cash outflow	-	
7	Total Cash Outflows		
CASH INFLOWS			
8	Secured lending		
9	Inflows from fully performing exposures	13,947,822	
10	Other Cash Inflow	86,410	
11	Total Cash Inflow		
		-	
12	Total HQLA		
13	Total Net Cash Outflows		
14	LCR (%)		

Notes:

¹ Adjusted values are calculated after the imposition of a reduction in value (haircut), run-off rate, and inflow rate as well as the maximum limit for HQLA components, for example the maximum limit for HQLA Level 2B and HQLA Level 2 and the maximum limit of cash inflows can be taken into account in LCR.

Analysis

LCR ratio as of the fourth quarter of 2021 decrease by 285.1% compared to the third quarter of 2021. This was due to the increase in Net Cash Outflow by 4.83% and a disproportionate increase in HQLA by 3.03%.

The increase in average HQLA was mainly due to an increase in the average marketable securities issued by Bank Indonesia compared to the third quarter of 2021. On the other hand, the increase in average total Net Cash Outflows was mainly contributed by an increase in cash outflows from increased deposits from corporate customers, and a decrease in cash inflows, which was mainly contributed by a decrease in receivables from financial institutions.

For the third and fourth quarters of 2021, Cash Inflows have had a direct impact on net cash outflows because cash inflows for these two quarters did not exceed the upper threshold of calculated cash inflows, which is 75% of Total Cash Outflows.

Bank's HQLA component is derived from cash, placement in Bank Indonesia, and securities issued by central government and Bank of Indonesia. While main component from net cash outflow is third party fund. Bank's main funding is third party fund which derived from current account, saving account, and time deposit.

(in million Rupiah)

INDIVIDUAL			
		Q3 2021	
	HQLA after haircut, outstanding commitment and liabilities times run-off rate or contractual receivables times inflow rate	Outstanding commitment and liabilities/contractual receivables	HQLA after haircut, outstanding commitment and liabilities times run-off rate or contractual receivables times inflow rate
	65		63
	58,489,603		56,767,717
	397,920	7,795,326	389,766
	1,598,510	14,758,697	1,475,870
	-	-	-
	5,998,460	25,328,708	5,879,314
	20,680,458	34,867,802	20,971,501
	-	-	-
	-	-	-
	74,601	65,723	65,723
	-	-	-
	-	-	-
	944,658	7,766,044	776,168
	-	-	-
	406,388	104,928,105	266,002
	-	-	-
	30,100,994		29,824,344
	-	-	-
	9,498,873	14,991,393	10,171,014
	86,410	82,074	82,074
	9,585,282	-	10,253,087
	TOTAL ADJUSTED VALUE1		TOTAL ADJUSTED VALUE1
	58,489,603		56,767,717
	20,515,712		19,571,256
	285.10%		290.06%

32. Liquidity Risk - Net Stable Funding Ratio (NSFR)

No.	ASF Component	Reporting Position (September / 2021)			
		Carrying Value By Residual Maturity (in million Rupiah)			
		No Specified Maturity	< 6 Months	≥ 6 Months - < 1 Year	
1	Capital	20,697,049	-	-	
2	Regulatory Capital as per POJK KPMM	20,697,049	-	-	
3	Other capital instruments	-	-	-	
4	Retail deposits and deposits from micro and small business customers:	17,151,590	10,563,518	556,583	
5	Stable Deposits	43,543	3,212	-	
6	Less Stable Deposits	17,108,047	10,560,307	556,583	
7	Wholesale Funding:	42,373,638	21,887,948	135,890	
8	Operational deposits	23,529,470	-	-	
9	Other wholesale funding	18,844,169	21,887,948	135,890	
10	Liabilities with matching interdependent assets	-	-	-	
11	Other liabilities and equity:				
12	NSFR derivative liabilities		-	8,636	
13	All other liabilities and equity not included in the above categories	-	3,578,099	-	

		Weighted Value	Reporting Position (December / 2021)				Weighted Value
			Carrying Value By Residual Maturity (in million Rupiah)				
	≥ 1 Year		No Specified Maturity	< 6 Months	≥ 6 Months - < 1 Year	≥ 1 Year	
	1,073,438	21,770,487	20,758,880	-	-	1,068,938	21,827,817
	1,073,438	21,770,487	20,758,880	-	-	1,068,938	21,827,817
	-	-	-	-	-	-	-
	-	25,446,859	16,930,497	10,507,871	315,272	-	24,981,503
	-	44,417	44,380	20,143	-	-	61,297
	-	25,402,443	16,886,118	10,487,728	315,272	-	24,920,206
	-	22,749,521	50,539,838	12,978,391	74,981	-	21,863,617
	-	11,764,735	30,732,150	-	-	-	15,366,075
	-	10,984,786	19,807,688	12,978,391	74,981	-	6,497,543
	-	-	-	-	-	-	-
	-			6,508	17,402	-	
	6,225,938	6,225,938	-	2,915,230	-	6,199,838	6,199,838

No.	ASF Component	Reporting Position (September / 2021)			
		Carrying Value By Residual Maturity (in million Rupiah)			
		No Specified Maturity	< 6 Months	≥ 6 Months - < 1 Year	
14	Total ASF				
15	Total NSFR HQLA				
16	Deposits held at other financial institutions for operational purposes	3,687,532	-	-	
17	Performing loans and securities	-	39,305,297	13,105,709	
18	to financial institutions secured by Level 1 HQLA	-	8,277,985	-	
19	to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	2,734,409	749,043	
20	to non- financial corporate clients, retail and small business customers, government of Indonesia, other Governments, Bank Indonesia, other central banks and public service entities, of which:	-	25,022,631	12,245,473	
21	meet a risk weight of less than or equal to 35% under SE OJK RWA for credit risk	-	911,606	109,408	
22	Unpledged residential mortgages, of which:	-	-	-	
23	meet a risk weight of less than or equal to 35% under SE OJK RWA for credit risk	-	77	1,784	
24	Securities that are unpledged, not in default and do not qualify as HQLA, including exchange-traded equities	-	2,358,589	-	
25	Assets with matching interdependent liabilities	-	-	-	
26	Other assets:	-	-	-	
27	Physical traded commodities, including gold	-			
28	Cash, securities and other assets posted as initial margin for derivative contracts or contributions to default funds of central counterparty (CCP)		-	-	
29	NSFR derivative assets		-	-	
30	NSFR derivative liabilities before deduction of variation margin posted		-	7,303	
31	All other assets not included in the above categories	1,994,773	2,450,116	95,276	
32	Off-balance sheet items		49,199,272	21,989,560	
33	Total RSF				
34	Net Stable Funding Ratio (%)				

Analysis

As of the fourth quarter of 2021 NSFR ratio reached 215.24%, increased by 14.89% compared to the third quarter of 2021. This was mainly due to increase of RSF by 8.53% greater than the decline in the weighted value of the stable funding availability component (ASF) of 1.73%.

The decrease in the weighted value of the ASF component was mainly due to a decrease in deposits from corporate customers, especially in the form of time deposits, compared to the previous period. On the other hand, the decline in the RSF component mainly came from a decrease in credit and maturity profiles of more than 1 year (high weight) as well as a decrease in marketable securities such as export notes.

Bank's NSFR ratio is above minimum OJK's requirement of 100%.

		Weighted Value	Reporting Position (December / 2021)				Weighted Value
			Carrying Value By Residual Maturity (in million Rupiah)				
	≥ 1 Year		No Specified Maturity	< 6 Months	≥ 6 Months - < 1 Year	≥ 1 Year	
		76,192,805					74,872,775
		1,249,094					1,191,229
	-	1,843,766	3,363,440	-	-	-	1,681,720
	9,906,769	30,260,996	-	39,684,082	19,866,363	3,527,972	27,792,994
	-	827,798	-	10,060,292	-	-	1,006,029
	-	784,683	-	2,435,545	1,014,915	-	872,789
	9,421,651	26,642,455	-	24,629,530	17,132,551	3,005,735	23,435,915
	-	510,507	-	696,227	1,716,426	-	1,206,326
	-	-	-	-	-	-	-
	485,119	316,258	-	177	2,470	522,237	340,777
	-	1,179,295	-	1,862,311	-	-	931,156
	-	-	-	-	-	-	-
	-	4,084,155	-	-	-	-	3,406,614
		-	-				
	-	-		-	-	-	-
	-	-		-	-	38,490	38,490
	-	43,121		-	6,923	-	37,612
	1,477,918	4,020,089	1,810,361	95,109	383,168	1,123,700	3,330,513
	10,728,590	591,639	-	48,808,500	30,299,129	9,422,543	713,420
		38,029,650					34,785,977
		200.35%					215.24%

33. Liquidity Risk - Encumbrance Asset (ENC)

No	Description			
		Encumbered	Assets held or agreed with the Central Bank but not yet used to generate liquidity	
1	Cash	-	-	
2	Placement with Bank Indonesia	-	27,552,619	
3	Investment Securities	-	-	
4	Securities purchased with agreement to resell (reverse repo)	-	10,060,292	
5	Total	-	37,612,911	

Qualitative Analysis

- Encumbered assets are bank assets restricted, both legally and contractually by the Bank, for supporting liquidity under stress conditions.
Encumbered assets do not include assets being placed with or pledged to Bank Indonesia but yet to be used to create liquidity, as stipulated by the POJK on Obligation to Fulfill the Liquidity Coverage Ratio for Commercial Banks.
- Unencumbered assets are assets that qualify as High Quality Liquid Asset (HQLA) as stipulated by the POJK on Obligation to Fulfill the Liquidity Coverage Ratio for Commercial Banks.
- Asset placed or pledged to Bank Indonesia but yet to be used to create liquidity are as referred to in the POJK concerning the obligation to meet the LCR for Commercial Bank.
- As 31 December 2020, the Bank did not have any HQLA position categorized as encumbered assets.

34. Operational Risk - Quantitative Disclosures of Operational Risk using Basic Indicator Approach

No	Indicator Approach	
(1)	(2)	
1	Basic Indicator Approach	
Total		

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.

(in million Rupiah)

31 December 2021			31 December 2020			
	Unencumbered	Total	Encumbered	Assets held or agreed with the Central Bank but not yet used to generate liquidity	Unencumbered	Total
	429,856	429,856	-	-	627,207	627,207
	-	27,552,619	-	5,404,451	-	5,404,451
	23,824,583	23,824,583	-	-	19,078,540	19,078,540
	-	10,060,292	-	9,292,848	-	9,292,848
	24,254,439	61,867,349	-	14,697,299	19,705,747	34,403,046

(in million Rupiah)

	31 December 2021			31 December 2020		
	Average Gross Income in the last 3 years	Capital Charge	RWA	Average Gross Income in the last 3 years	Capital Charge	RWA
	(3)	(4)	(5)	(3)	(4)	(5)
	6,879,739	1,031,961	12,899,511	6,423,205	963,481	12,043,510
	6,879,739	1,031,961	12,899,511	6,423,205	963,481	12,043,510

BUSINESS PROSPECTS

The global economy is expected to continue its recovery in 2022 as governments worldwide have loosened pandemic-related restrictions. Vaccination boosters are expected to help mitigate the virus spread, but there is still risk from further outbreaks. The world has also seen further tensions from the Russia-Ukraine conflict.

The Russia-Ukraine conflict has increased prices of commodities like energy and food. The IMF said the conflict could reduce business confidence and add investor uncertainty, weighing on asset price, tightening financial conditions, and spurring capital outflows from emerging markets.

The World Bank forecast global growth to slow to 4.1% in 2022, after growing 5.5% in 2021, due to COVID-19 resurgence, lower fiscal support, and continued supply bottleneck. Emerging markets likely see weaker and more fragile recoveries, compared to developed economies, due to lower vaccination rates, tighter fiscal and monetary policies, and scarring effects from the pandemic.

Growth in East Asia and Pacific rebounded to an estimated 7.1% in 2021, but likely decelerates to 5.1% in 2022, reflecting a slowdown in China which is experiencing lingering effects of the pandemic and tighter regulations on certain segments of the economy. China's economy is forecast to slow to 5.1% in 2022.

Meanwhile, HSBC Global Research forecast Indonesia to see growth rebound to 5.1% in 2022, after booking a 3.7% growth in 2021, supported by improving domestic demand and rising commodity prices. The government has continued to roll out vaccination boosters and has opened up the economy gradually.

Business sentiment has been positive in the past seven months amid hopes of strong recovery, as indicated by the Indonesia Manufacturing Purchasing Managers' Index (PMI) from IHS Markit which reached 51.3 in March 2022. Output and new orders increased, and employment levels rose to support higher production requirements.

Bank Indonesia said consumer confidence remained positive as of March 2022, as reflected by the Consumer Confidence Index at 111.0, due to strong expectations on future prospects from income to employment. BI has kept the benchmark rate at a record low 3.5% to help support the economy, as inflation remained under control.

The Financial Services Authority (OJK) has extended the credit restructuring policy to March 2023 to support the banking sector. In January 2022 OJK expected loan growth to reach 7.5% in 2022, after growing 5.2% in 2021, as BI has continued keeping low interest rates and eased down payments for property or car purchases, and the government has provided tax incentives for car purchases. In April 2022, OJK revised the expectation of loans growth to 9%.

Restarting infrastructure projects will also support growth, with the government allocating Rp365.8 trillion for infrastructure budget in 2022. The plan to move Indonesia's capital to Nusantara in East Kalimantan by 2024 may spur investment into the country as the government has said it is inviting the private sector and foreign investors to fund the project. Over 75% of the new capital will remain green, boding well for the prospects of electric/hybrid vehicle.

We think Indonesia, with the largest nickel reserves globally, has the potential to incentivise global producers to shift battery production to Indonesia, especially as lithium ion battery production has become far more nickel intensive over the past few years. Indonesia has also benefited from its nickel smelters, with 36 smelters planned to be operated in 2022. Furthermore, stainless steel mills are usually built next to nickel smelters, which refine nickel ore into ferro nickel or nickel pig iron, key inputs for stainless steel. This has led to the surge in investment in stainless steel mills.

The omnibus law on job creation enacted in 2020 is expected to accommodate businesses as it simplifies regulations to spur investment. Businesses have praised the law, expecting it can power growth in Indonesia, but there had been resistance from labour who felt the law is more favourable for industries. President Joko Widodo has stood by the law repeatedly as he targeted Indonesia to become one of the world's top five economies by 2045. Following the law, the government has also issued the "positive investment list", replacing the previous "negative investment list", which opens up almost all business sectors to 100% foreign investment.

Another huge ambition by the Jokowi's administration is the plan to make 30 million MSMEs go digital by 2024, from 17.59 million currently, which the banking sector can capitalise on. The government has said it wants banks to allocate 30% of lending to MSMEs, up from 18% currently. Bank Indonesia has introduced an incentive scheme for banks to provide more financing access to this sector as MSMEs are deemed to provide a significant contribution to Indonesia's national economy through gross domestic product formation and labour absorption. Furthermore, some part of MSMEs are also relatively economically resilient, thereby supporting financial system and economic stability.

Nevertheless, banks will still face challenges due to intense competitions in the financial industry, from the proliferation of financial technology firms and digital banks backed by big lenders to lower margins and loan demands. Customer behaviour has also changed since the pandemic, shifting more and more into digital channels and cashless payments as the digital economy continues rising. Tight competitions in the industry have resulted in more options for customers and forces the industry to evolve and innovate in order to win the market share.

In 2021, Indonesia's internet economy almost doubled to US\$70 billion, from US\$47 billion in 2020, according to a research by Google, Temasek, and Bain & Co. The number of digital consumers reached 21 million people, 72% of which living in non-metropolitan cities. With such a strong digital penetration across the country, businesses should tap into this opportunity to widen their reach with digital technology.



GOOD CORPORATE GOVERNANCE

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GOOD CORPORATE GOVERNANCE

THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE IMPLEMENTATION

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

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

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

The scope of work for KNKCG has been enlarged to incorporate the issue on public governance, and changed the name from KNKCG to KNKG (Komite Nasional Kebijakan Governansi), which is stated in the Decree by the Coordinating Ministry of Economic Affairs No. KEP-49/M.EKON/11 year 2004 and revised 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 (BI) Regulation No. 8/4/PBI/2006 dated 30 January 2006 regarding the Implementation of Good Corporate Governance for Commercial Banks, which was subsequently replaced by BI Regulation No. 8/14/PBI/2006 dated 5 October 2006 regarding the Implementation

of Good Corporate Governance for Commercial Banks and BI Circular Letter No. 15/15/DPNP dated 29 April 2013 regarding the Implementation of Good Corporate Governance for Commercial Banks. At the end of 2016, these Regulation and Circular Letter were revoked and replaced by the Indonesia Financial Services Authority (Otoritas Jasa Keuangan/OJK) Regulation No. 55/POJK.03/2016 dated 7 December 2016 and OJK Circular Letter No. 13/SEOJK.03/2017 dated 17 March 2017 regarding Implementation of Good Corporate Governance for Commercial 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 followed by the successful integration of the Bank with Foreign Bank Branch Office The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch, the Bank has reviewed and made several adjustments as well as improvements to the structure and infrastructure, among others by establishing the Bank as the Main Entity in HSBC Financial Conglomeration in Indonesia.

GOVERNANCE STATEMENT

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

The Bank fully understands that the implementation of GCG principles to the Company's operation is a prerequisite for the organisation to grow in a healthy way. During 2021, 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 given by the Bank; transparent decision-making; open disclosure of information; the ongoing provision of accurate, accessible, and comprehensible information to stakeholders; and the conduct of business in an objective and professional manner in support of the Bank's customers.

2. Accountability

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

3. Responsibility

Responsibility on 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 competitiveness position, the Bank continuously implements strategies that are in line with the business plan. The advantage obtained from this competitive improvement will eventually attract customers' interest and trust. This will help the Bank to grow sustainably in the long term. Through the implementation of GCG, the Bank aims to improve the value added to all parties of interests 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 that's managed in fair, open, and responsible manners.
3. Maintaining and protecting all shareholders and stakeholders' rights and responsibilities.
4. Increasing the value of the Company and 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 is to measure the success of GCG implementation towards the Bank performance by comparing it to the best practices and identifying GCG practices that need to be improved to reach 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 2021, the Bank's GCG assessment is within the composite of "2" or attained the "Good" category. The soundness level shows that the Bank overall has implemented the Good Corporate Governance. The Bank has conducted the Corporate Governance in good manners but will continue to improve to ensure a better corporate governance in place in accordance with the TARIF principles (Transparency, Accountability, Responsibility, Independency and Fairness). The improvement is monitored and performed effectively and efficiently by the management.

The Bank's business activities have been conducted in fair manners. The results of GCG self-assessments are included in the comprehensive Bank Soundness Level evaluation and have been discussed with Financial Services Authority's Supervision Team. There were some minor shortcomings in the implementation of GCG conducted by the Bank that do not have significant impact and could be addressed immediately.

GOOD CORPORATE GOVERNANCE STRUCTURES

To ensure that the principles of GCG are 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 organs, which are the General Meeting of Shareholders, the Board of Commissioners, the Board of Directors, and the supporting organs, 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 companies in Indonesia and the regulation on implementation of GCG for commercial bank.

GENERAL MEETING OF SHAREHOLDERS

General Meeting of Shareholders (GMS) is the highest authority in the Bank. In the GMS, shareholders are authorised to evaluate the performance of the Board of Commissioners and the Board of Directors, to give approval for the annual report, to appoint and dismiss members of the Board of Commissioners and the Board of Directors, to specify compensation and allowances for the Board of Commissioners and the Board of Directors, and to appoint Independent Auditor. Annual GMS is held once every year and in 2021, the Bank has held Annual GMS on 30 June 2021.

Annual GMS held on 30 June 2021, had set out agenda, as follows:

1. Approval and ratification of 2020 Company's 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 31 December 2020, and granting release and discharge ("volledig acquit et decharge") to all members of the Board of Directors and the Board of Commissioners for management and supervision performed in the financial year ended 31 December 2020;
2. Determination of the utilization of the Company's net profit for financial year ended 31 December 2020;
3. The change on the composition of members of the 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 2021 financial year;
5. Appointment of the Public Accountant and Public Accountant Firm to audit the Company's books for the financial year ended 31 December 2021 and determination of relevant honorarium and other requirements related to the appointment;
6. Approval on the Updated Company's Recovery Plan, to comply with Article 31 of the Indonesia Financial Services Authority Regulation Number 14/POJK.03/2017; and
7. Report of the Company's Sustainable Finance Action Plan (RAKB), to comply with Article 6 of the Indonesia Financial Services Authority Number 51/POJK.03/2017.

Bank held 1 (one) Extraordinary GMS on 20 August 2021 to approve the changes on the composition of members of the Board of Commissioners of the Company.

BOARD OF COMMISSIONERS

Under the Company Law, the Board of Commissioners is an organ in Bank who 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 Term of Reference of Board of Commissioners on Board of Commissioners decree number 011/SK/KOM/VII/2021 which has been approved by the Board of Commissioners at the Board of Commissioners meeting dated 26 August 2021, the duties and the responsibilities of the Board of Commissioners are as follows:

- a. Oversee the management of the company by the Board of Directors and give approval to the Bank's annual work plan, prior to the starting of the year.
 - b. Conduct duties as regulated by the applicable laws, the Articles of Association, the applicable laws and/or the decisions of the GMS.
 - c. Conduct duties and responsibilities as regulated by the Bank's Articles of Association and GMS' decisions.
 - d. Research and review the annual reports prepared by the Board of Directors, and as well as executing the annual report.
 - e. Comply with the Articles of Association and regulations, as well as implement the principles of professionalism, efficiency, transparency, independence, accountability, accountability, and fairness.
- In connection with the duties of the Board of Commissioners referred to above, the Commissioner is obliged to:
- a. Supervise the implementation of the Bank's annual work plan.
 - b. Follow the development of the Bank's activities, and in the event the Bank shows signs of setbacks, report the condition through GMS and provide suggestions regarding corrective actions.
 - c. Providing opinions and suggestions for GMS regarding every matter considered crucial for managing the Bank.
 - d. Conduct other supervisory duties as determined by the GMS.
 - e. Provide feedback on periodic reports prepared by the Board of Director at any time regarding the Bank's development.

The Composition of the Board of Commissioners

The composition of the Bank's Board of Commissioners as of 31 December 2021 is as follows:

Designation	Name
President Commissioner	Matthew Kneeland Lobner ¹
President Commissioner	Martin John Haythorne ²
Vice President Commissioner and Independent Commissioner	Hanny Wurangian
Commissioner	Mark Thomas McKeown
Independent Commissioner	Umar Juoro
Independent Commissioner	Catherinawati Hadiman Sugianto
Commissioner	Mark Trevor Surgenor

¹ Resignation become effective if and when the appointment of Mr. Martin John Haythorne as the new President Commissioner has become effective,

² Effective from the date determined by the Company after receiving approval from Financial Services Authority's (Otoritas Jasa Keuangan/OJK) for Fit and Proper Test with due observance to the prevailing laws and regulations.

Board of Commissioners Meeting

During 2021, the Board of Commissioners has held 10 (ten) meetings, consist of 6 (six) Board of Commissioners meetings and Board of Directors 24 February 2021, 22 April 2021, 28 June 2021, 26 August 2021, 25 October 2021, 25 November 2021 and 4 (four) Board of Commissioners Meeting on 24 February 2021, 22 April 2021, 26 August 2021, 25 October 2021, 25 November 2021. The percentage of attendance at the Board of Commissioners meetings is as follows:

No	Name	The Board of Commissioners Meeting		
		Number of Meeting in accordance with the Effective Period	Attendance	% Attendance
1	Matthew Kneeland Lobner	10	10	100%
2	Hanny Wurangian	10	10	100%
3	Mark Thomas McKeown	10	10	100%
4	Umar Juoro	10	10	100%
5	Catherinawati Hadiman Sugianto	10	10	100%
6	Mark Trevor Surgenor*	8	8	100%

*) Effectively serves as Commissioner of the Bank since 23 March 2021

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 at least consists of 2 (two) external independent parties with specific expertise as required by the regulations.

Audit Committee Responsibilities

Based on Term of Reference of Audit Committee on Board of Commissioners Decree No. 003/SK.DEKOM/III/2020 which has been annually reviewed and approved to be used in Board of Commissioners Meeting dated 25 October 2021 and subject to OJK regulation No. 55/POJK.03/2016 dated 7 December 2016 regarding Implementation of Good Corporate Governance for Commercial Bank, Audit Committee shall be obligated to perform, at least:

1. 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 recommendations regarding the appointment of public accountant and public accounting firm to the Board of Commissioners to be submitted to the GMS

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 ensure 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 integrity.

The Audit Committee has authorities and responsibilities related with Financial Report 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. Provide consideration on any major findings of internal investigations and management's response, to assist the Board of Commissioners and management in protecting the Group's assets, reputation and sustainability and ensure the effectiveness of relevant risk management and governance processes;
- b. Provide recommendation for the Board of Commissioners and the management's consideration in ensuring the alignment of the annual Internal Audit plan with the key risks of the business and budget allocation;
- c. Provide recommendation for the Board of Commissioners' consideration in the appointment and resignation of Internal Audit Head.

- d. Provide recommendation for the Board of Commissioners' consideration in approving the Internal Audit Charter.
- e. Provide recommendation for the Board of Commissioners' consideration of the appointment of external independent parties to perform periodic review of internal Audit performance.

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.

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

- a. Oversee the implementation of the Group's policies and procedures as long as not conflicted with the prevailing rules and regulation for capturing and responding to whistleblower concerns.
- b. Oversee the implementation of appropriate procedures to ensure confidentiality, protection and fair treatment of whistleblowers.
- c. Routinely review reports arising from the operation of the whistleblowing policies and procedures.
- d. Ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.

Annually review 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 about 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 the 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 the 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 five (5) independent members. Per 31 December 2021, the Audit Committee composition is as follow:

	Name	Title
1	Catherinawati Hadiman Sugianto	Chairman of the Audit Committee (Independent Commissioners)
2	Hanny Wurangian	Member of the Audit Committee (Vice President Commissioner and Independent Commissioner)
3	Umar Juoro	Member of the Audit Committee (Independent Commissioners)
4	Ubaidillah Nugraha	Member of the Audit Committee (Independent party with expertise in finance)
5	Kartini Sally	Member of the Audit Committee (Independent party with expertise in banking)

Meeting

During 2021, the Audit Committee has held 5 (five) committee meetings on 24 February 2021, 22 April 2021, 26 August 2021, 25 October 2021, 25 November 2021. The percentage of attendance at the Audit Committee meetings is as follows:

No	Name	Audit Committee Meeting		
		Number of Meetings	Attendance	% Attendance
1	Catherinawati Hadiman Sugianto*	3	3	100%
2	Hanny Wurangian	5	5	100%
3	Umar Juoro	5	5	100%
4	Yustrida Bernawati**	0	0	100%
5	Ubaidillah Nugraha	5	5	100%
6	Kartini Sally***	5	5	100%

*) Based on BOD Circular resolution no 006/SKS/DIR/VII/2021, the effectively serves as member of Audit Committee of the Bank was as of 29 July 2021.

**) Based on BOD Circular resolution no 004/SKS/DIR/II/2021, his term of office as member of Remuneration and Nomination Committee of the Bank has ended as of 31 January 2021.

***) Based on BOD Circular resolution no 004/SKS/DIR/II/2021, the effectively serves as member of Audit Committee of the Bank was as of 16 February 2021.

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 with the FSA Regulation No.55/POJK.03/2016 dated 7 December 2016 concerning Implementation of GCG for Commercial Banks.

Risk Oversight Committee Responsibilities

Based on Term of Reference of Risk Oversight Committee on Board of Commissioners decree number 011/SK/KOM/V/2019 which has been annually reviewed and approved to be used in Board of Commissioners

Meeting dated 25 August 2021 and 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 has following responsibilities, authorities, and policies as follow:

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 the Bank's approach to the determination of its risk appetite is in line with regulatory requirements.
- e. If and when requested by the Board of Commissioners, to consider and advise the 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 the Board of Commissioners or other committee that oversees remuneration matters, to advise on alignment of remuneration with risk appetite.

- g. To consider and advise the Board of Commissioners on the risks relating to cyber security and information security.

- h. To review and advise the Board of Commissioners on the risks relating to the Bank's IT and operational resilience programmes.

3. Stress Testing

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

4. Enterprise Risk Management Framework and Internal Control System

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

In executing the above, Risk Oversight Committee shall:

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

5. Risk Management Director and Risk Management Function

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

6. Internal Audit

- a. To review reports from Internal Audit that provide assurance on the adequacy of internal control processes.
- b. 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:

- a. 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.
- b. Forward looking information indicating the expected impact of potential risks facing the Bank.
- c. 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

- a. 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.

b. 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 the 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 the Board of Commissioners to have been fulfilled, provided it is dealt with by any other committee.

The Risk Oversight Committee consists of four (4) independent members. In 2021, the Risk Oversight Committee's composition is as follow:

No	Name	Title
1	Umar Juoro	Chairman of the Risk Oversight Committee (Independent Commissioners)
2	Catherinawati Hadiman Sugianto	Member of the Risk Oversight Committee (Independent Commissioner)
3	Ubaidillah Nugraha	Member of the Risk Oversight Committee (Independent party with expertise in finance)
4	Kartini Sally	Member of the Risk Oversight Committee (Independent party with expertise in risk management)

Meetings

During 2021, the Risk Oversight Committee has held 4 (four) meetings on 24 February 2021, 22 April 2021, 26 August 2021, 25 October 2021. 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	4	4	100%
2	Catherinawati Hadiman Sugianto	4	4	100%
3	Yustrida Bernawati*	0	0	100%
4	Ubaidillah Nugraha	4	4	100%
5	Kartini Sally**	4	4	100%

*) Based on BOD Circular resolution no 005/SKS/DIR/II/2021, the term of office as a member of Risk Oversight Committee of the Bank has ended as of 31 January 2021

**) Based on BOD Circular resolution no 005/SKS/DIR/II/2021 Effectively serves as member of Risk Oversight Committee of the Bank as of 16 February 2021

Remuneration and Nomination Committee

In accordance with regulation of the Indonesian Financial Services Authorities and other banking authorities, the Board of Commissioners is required to establish among others, the Remuneration and Nomination Committee in order to support the implementation of their duties and responsibilities effectiveness. In the context of the implementation of the duties and responsibilities, the Remuneration and Nomination Committee shall have an internal policy which includes work guideline and procedure which should be known and bind every member of the Committee.

The purpose of this Committee is to oversight of matters related to remuneration impacting the Bank, particularly for:

1. Overseeing the implementation and operation of the Bank's remuneration framework;
2. Ensuring that the remuneration framework does not breach any law, policies or regulations;
3. Ensuring that the remuneration framework is in line with the risk appetite, business strategy, culture and values, and long-term interests of the Bank;

4. Ensuring that the remuneration framework is appropriate to attract, retain and motivate individuals of the quality required to support the success of the Bank.

Duties and Responsibilities of the Remuneration and Nomination Committee

Based on Term of Reference of Remuneration and Nomination Committee on the Board of Commissioners decree number 007/SK/DEKOM/III/2020 dated 2 March 2020 which has been reviewed annually and approved for reuse at the Board of Commissioners meeting on 26 August 2021, the Remuneration and Nomination Committee shall have the following responsibilities, powers, authorities and discretion:

1. To consider remuneration matters for the Bank in the context of the Bank's remuneration framework, and provide advice on the application of the framework to the Bank in the context of regulations and market conditions

2. To perform evaluation to remuneration guidance based on performance, risk, fairness compared to peer group, the Bank's long-term target and strategy, fulfilment of reserves as stipulated in the prevailing regulation;
3. To complete the annual pay review process of the Bank by:
 - a. Considering the relevant issues that were taken into account in agreeing remuneration funding and proposals relevant to the Bank, and escalate any matters of concern to the Board of Commissioner as applicable; and
 - b. Reviewing and recommend (prior to, in certain cases, final approval by the Board of Commissioner) performance-based remuneration and to provide feedback to the Board of Commissioner as appropriate.
4. To provide evaluation result and recommendation to the Board of Commissioners in respect of:
 - a. Remuneration policy for the member of the Board of Directors and the member of the Board of Commissioners to be proposed to the GMS;
 - b. Remuneration policy to all employee to be advised to the Board of Directors;
5. To ensure that remuneration policies, practices and procedures are in line with the business strategy, objectives, culture, values and long-term interests of the Bank;
6. To prepare and provide recommendations on the system and procedure of selecting and/or replacing the Board of Directors and the Board of Commissioners members to the the Board of Commissioners and reported in the GMS;
7. 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 to the Board of Commissioners and reported in the GMS;
8. To provide recommendation on the candidate of the Independent Party who will assume the role as Audit Committee and Risk Oversight Committee to the the Board of Commissioners;
9. 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 Bank;
10. To ensure that the remuneration policy as applied to the Bank comply with, and are subject to review as required by the prevailing regulations;
11. 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 Bank so as to complete the annual pay review process of the Bank.

Responsibility Related to Regulatory, Risk and Audit

1. Reviewing any matters relating to remuneration that need to be reported to Board of Commissioner, shareholders and regulators, and assessing that there are effective safeguards in place to ensure that remuneration policies, practices and procedures are:
 - a. Clearly aligned with the Bank's risk appetite;
 - b. Consistent with and promotes the sound and effective risk management of the Bank;
 - c. Avoid risk-taking that exceeds the level of tolerated risk of the Bank;
 - d. Avoid the Bank to bear any risk that would undermine its ability to comply with regulatory and other legislative requirements

This includes the review and approval of:

- a. the content of the Remuneration Report (if any) in the annual report and accounts (or equivalent) of the Bank for submission to the the Board of Commissioners as a whole; and
- b. any material report required by the regulators from the Remuneration and Nomination Committee on the Bank's remuneration approach;
2. To seek confirmation and advice from the Bank's Risk Management Committee or Risk Management Director, as appropriate, on the alignment of risk and remuneration and, as necessary, any relevant adjustments for risk to be considered in respect of the variable pay pool and remuneration outcomes. In the event of any difference of view, appropriate risk adjustments should be recommended 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 Bank;
 - b. do not encourage risk-taking that exceeds the level of tolerated risk of the Bank, and;
 - c. do not encourage the Bank to bear any risk that would undermine its ability to comply with any regulatory obligation;

Operation of the Remuneration and Nomination Committee

1. The Committee shall review annually the Committee's terms of reference and its own effectiveness and recommend any necessary changes for approval of the the Board of Commissioners and in the case of any material deviation from the core terms of reference for subsidiary remuneration committees, notification to the the Board of Commissioners.
2. Annually, the Remuneration and Nomination Committee shall report and inform the Board of Commissioners on how the Remuneration and Nomination Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.
3. The Remuneration and Nomination Committee may retain special counsel, advisers, experts or other consultants from time to time to assist consideration of any other matters which the Remuneration and

Nomination Committee believes are required in keeping its responsibilities. The Remuneration and Nomination Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside the Company and challenge its analysis and assessment. Any such appointment shall be made through the Corporate Secretary, who shall be responsible, on behalf of the Remuneration and Nomination Committee, for the contractual arrangements and payment of fees by the Bank.

4. Where there is a perceived overlap of responsibilities between the Remuneration and Nomination Committee and another committee of the Board, the respective the Board of Commissioners 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 the the Board of Commissioners to have been fulfilled, provided it is dealt with by any other committee.

Composition of Remuneration and Nomination Committee:

The Remuneration and Nomination Committee consists of five (5) members. In 2021, the Remuneration and Nomination Committee Composition is as follows:

No	Name	Title
1	Umar Juoro	Chairman of the Committee (Independent Commissioners)
2	Mark Thomas McKeown	Member of the Committee (Commissioners)
3	Matthew Kneeland Lobner	Member of the Committee (Commissioners)
4	Catherinawati Hadiman Sugianto	Member of the Committee (Independent Commissioners)
5	Heni T. Budisetio	Member of the Committee (Executive officer responsible for Human Resources)

During 2021, the Remuneration and Nomination Committee has held 5 (five) committee meetings on 11 February 2021, 22 April 2021, 26 August 2021, 25 October 2021, 25 November 2021.

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	Mark Thomas McKeown	5	5	100%
3	Matthew Kneeland Lobner	5	5	100%
4	Catherinawati Hadiman Sugianto	5	5	100%
5	Heni T. Budisetio	5	5	100%

BOARD OF DIRECTORS

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

Duties and Responsibilities of the Board of Directors

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

According to Term of Reference of Board of Directors on Board of Director Decree number 023/SK/DIR/VI/2019 dated 26 June 2019 which has been annually reviewed and approved to be used in the Board of Directors meeting dated 25 October 2021 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 OJK and/or result of supervision of other authority.
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 GMS.
7. To disclose to the staffs 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 a 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 Director in implementing good GCG in the Bank's operational activities. The Board of Director supervises the implementation of GCG conducted the staff by holding periodic meetings with Credit Committee, Assets and Liabilities Committee, Risk Management Committee, Information Technology, Operational, and Services Steering Committee, Integrated Risk Management Committee, Financial Crime Risk Management Committee, People Committee, and Head of Business.

Composition of the Board of Directors

The composition of the Bank's Board of Directors as of 31 December 2021 is as follows:

Designation	Name
President Director	Francois de Maricourt
Director	Dio Alexander Samsoeri
Director	Stephen Whilton Angell
Director	Edhi Tjahja Negara Darmohusolo
Director	Eri Budiono
Director	Riko Adythia
Compliance Director	Nisha Asha Bhambhani
Director	James Rex Elwes
Director	Yardley

Board of Directors Meeting

The Board of Directors carry out their duties and responsibilities independently of the controlling shareholder. All decisions of the Board of Directors are taken based on deliberation and consensus in the Board of Directors meeting which is held regularly, at least once

a month. During 2021, The Board of Directors has held 14 (fourteen) meetings on 27 January 2021, 23 February 2021, 24 March 2021, 20 April 2021, 25 May 2021, 14 June 2021, 24 June 2021, 28 July 2021, 24 August 2021, 29 September 2021, 21 October 2021, 15 November 2021, 24 November 2021, 17 December 2021.

The percentage of attendance at the Board of Directors' meetings is as follows:

No	Name	The Board of Directors Meeting					
		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	Francois de Maricourt	12	12	100%	2	2	100%
2	Caecilia Pudji Widyarti ¹	6	6	100%	2	2	100%
3	Stephen Whilton Angell	12	10	83%	2	2	100%
4	Dio Alexander Samsoeri	12	11	92%	2	2	100%
5	Edhi Tjahja Negara Darmohusolo	12	12	100%	2	2	100%
6	Eri Budiono	12	12	100%	2	2	100%
7	Riko Adythia	12	12	100%	2	2	100%
8	Nisha Asha Bhambhani ²	11	9	82%	1	1	100%
9	James Rex Elwes ³	6	5	83%	2	2	100%
10	Yardley ⁴	3	3	100%	1	1	100%

¹⁾ His term of office as Director of the Bank has ended as of 30 June 2021

²⁾ Effectively serves as Compliance Director of the Bank since 22 February 2021

³⁾ Effectively serves as Director of the Bank since 30 April 2021

⁴⁾ Effectively serves as Director of the Bank since 11 October 2021

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. This is with consideration to the implementation of Good Corporate Governance and Risk Management in the credit process of PT Bank HSBC Indonesia.

Credit Committee Authorities and Responsibilities

Credit Committee is authorized to approve all matters related to the wholesale credit related matters, including but not limited to:

1. Decision on the draft credit decision submitted by the recommender/proposer.
2. Approval of all credit applications regardless of amount subject to compliance to all relevant governance and regulatory requirements.
3. Approval of all syndicated credit application as long as HBID position is not inferior to the other banks.
4. Approval for Loan Sales regardless to the amount subject to the condition of the transaction is transacted on arm's length basis.

The Members of Credit Committee

Credit Committee consists of:

Chairman: President Director

Member:

1. President Director
2. Finance Director
3. Commercial Banking Director
4. Global Banking Director
5. Deputy to Commercial Banking Director
6. Head of Department from GB and CMB
7. Head of Wholesale Credit Approval
8. Wholesale Credit Approver Team Leader

Every Wholesale Credit Committee's decision must also state in writing and is approved by at least 3 (three) Credit Committee members as follows:

- Head of Wholesale Credit Approval; and
- Either one of Commercial Banking Director (CMB) OR Deputy to Commercial Banking Director OR Global Banking Director OR their delegates; and
- 1 other Credit Committee member.

In the absence of Credit Committee meeting, it can be substituted by 3 (three) Credit Committee members' approval by document circulation or by e-mail circulation; with the same conditions as above.

In the case there is dissenting opinion from one of the Credit Committee members including from Head of Wholesale Credit Approval or Wholesale Credit Approval Team Leader, which is documented and provided to Credit Committee; Credit Committee's decision should be reached with approval from 3 (three) Credit Committee members which is consist of two Directors of Credit Committee members and one other Credit Committee member.

All credit proposals prior to be approved by Credit Committee require Risk Management Director's opinion or Head of Risk Management & Risk Regulatory Engagement in the absence of Risk Management Director.

Loan granted to HBID connected party must be approved by Board of Commissioners. Prior submission to Board of Commissioners, it must obtain Compliance's opinion. In the absence of Head of Wholesale Credit Approval then the Credit Committee authority will be automatically delegate to Wholesale Credit Approval Team Leader.

In the absence of Commercial Banking Director or Global Banking Director then the Credit Committee authority will be automatically delegate to Head of Department from GB or CMB.

Meetings:

Meetings held by Credit Committee are in relation to credit proposal approvals.

In the absence of Credit Committee meeting, it can be substituted by 3 (three) Credit Committee member's approval by document circulation or by e-mail circulation; with the same conditions as above.

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 the Bank 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 utilization 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 behavior 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, behaviouralization 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. Wealth & Personal Banking Director
5. Global Banking Director
6. Head of Markets and Securities Services
7. Risk Management Director
8. Operations & IT Director
9. Head of Asset and Liability Capital Management
10. Head of Balance Sheet Management
11. Head of Risk Management and Risk Regulatory Engagement

Meetings

During 2021 ALCO Meeting has been held 12 times that is on 27 January, 23 February, 24 March, 20 April, 25 May, 24 June, 28 July, 24 August, 29 September, 21 October, 24 November and 17 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. The Risk Management Committee is established with having, among others, the following responsibilities:

- To be informed, discuss, consider, and address material key risks and enterprise wide key issues as well as common themes identified across the Bank;
- To perform assessment and provide recommendation to the BOD with respect to risk management which at least covering: a.) formulation of risk management policy, strategy, and guidance with its amendments, b.) enhancement or improvement of risk management implementation based on evaluation, c.) establish guidelines related to business decisions which deviate from normal procedures;
- To consider relevant reports and updates pertaining to the key risks and issues across the Bank and across all the three lines of defense, commissioning further review where required;

- To promote and cascade 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 Management Director

Members:

1. President Director
2. Finance Director
3. Operations and Information Technology Director
4. Global Banking Director
5. Head of Markets & Securities Services
6. Commercial Banking Director
7. Wealth & Personal Banking Director
8. Human Resources Director
9. Compliance Director
10. Head of Risk Management & Regulatory Engagement
11. General Legal Counsel

Meetings

During 2021, The Risk Management Committee has held meeting 10 (ten) times, on 27 January 2021; 23 February 2021; 24 March 2021; 20 April 2021; 24 June 2021; 28 July 2021; 24 August 2021; 29 September 2021; 21 October 2021; 24 November 2021.

D. Information Technology, Operation, and Services Steering Committee

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

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

1. Plan the strategy of Information Technology, Operation, 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, Operation, and Services projects that are deemed critical and supervise the implementation of these projects;
4. Monitor risks in the Information Technology, Operation, and Services sector and reduce the impacts;

5. Monitor the performance of Information Technology, Operation, 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, Operation, and Services against the cost plan and the target of the Bank's financial performance.
7. Information Technology, Operation, and Services Steering Committee is involved in approving Information Technology projects.

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

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

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

Member:

1. Commercial Banking Director
2. Global Banking Director
3. Wealth & Personal Banking Director
4. Finance Director
5. Risk Management Director
6. Compliance Director
7. Human Resources Director
8. Head of Global Market and Security Services

Meetings

During 2021, Information Technology, Operation, and Services Steering Committee has held meetings 5 (five) times on 22 February, 19 April, 29 June, 23 August and 15 November.

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 Bank and to support President Director in discharging their financial crime risk responsibilities.

Purpose and Scope

The FCRMC's authority for the management of financial crime risk matters derives from the Risk Management Committee of Bank. The scope of the FCRMC covers all business activities, products, and services in Bank 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 Financial Crime Risk teams within Bank or other HSBC entities within Indonesia as long as legally permissible, as well as recommendations for escalations to Risk Management Committee, as well as escalations for noting purposes to the Regional Executive Committee 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 and Responsibilities

The FCRMC's accountabilities and responsibilities across Bank, including where appropriate PT HSBC Sekuritas Indonesia 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 Risk Reputational Client Selection Committee 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 P Country Report is to be presented, discussed and actions agreed as appropriate at Bank 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 Bank Transaction Monitoring Working Group.
8. Review, discuss and address issues related to Affiliates Risk Management and Client Selection and Exit Management, if required.
9. Review, discuss and address any material data matters related to financial crime risks critical data elements, covering but not limited to data quality measures and issues.
10. Promote, monitor and address the financial crime risk culture.
11. Safeguard the interests of our customers, ensuring that the meeting consistently considers the impact on the customer of every significant decision made and that decision making delivers fair outcomes for customers and maintains market integrity.
12. Information Sharing relating to Financial Crime Risks.
13. Review and discuss relevant innovative solutions for financial crime risk management.

The Members of Financial Crime Risk Management Committee

a. Chairman: President Director

b. Member :

1. Head of Financial Crime
2. Head of Financial Crime Threat Mitigation
3. Operations and Information Technology Director
4. Risk Management Director
5. Compliance Director
6. Wealth & Personal Banking Director
7. Commercial Banking Director
8. Global Banking Director
9. Head of Markets and Security Services
10. Head of Operational Risk

Meetings:

During 2021, the FCRMC held 6 (six) meetings on 26 January, 26 February, 25 March, 27 April, 29 June and 29 July. Following HSBC Group Compliance Model, FCRMC was demised in July 2021. As a local entity, the Board of Directors has decided to transformed into Financial Crime Risk Management Forum (FCRMF). FCRMF is not a formal governance and not rendering any decision. Any decision which requires approval will be escalated to Board of Director meeting or RMC meeting. FCRMF have similar membership and terms of reference with FCRMC.

F. People Committee

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

People Committee assists the Bank 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 the Bank based on adherence to the laws and regulations imposed in the Republic of Indonesia.

People Committee 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

Duties and responsibilities of People Committee include:

- Review and monitor the implementation of People Strategies within Indonesia, e.g. Diversity, International Mobility, Employee Engagement, Recruitment, Development, etc.
- Review and monitor the implementation of Business/ Functions People Strategies for local adoption in Indonesia.
- Review and monitor significant People Risks, including Personal Conduct Case (PCC) metrics, implementation of conduct management initiatives, voluntary attrition statistics and change programmes subsequently recommended.
- Review the implementation of HSBC Group Talent Management Strategy in Indonesia for local adaptation, including the approach and members of Local Talents.
- Review the implementation of the Talent Strategy in Indonesia for local adoption, including approach to, and membership of, the Country Talent Pool.
- Develop the Annual Succession Plan for cross business roles and make recommendations to the Board of Directors for critical executive positions and to Board of Commissioners for Board of Directors positions.
- Review and monitor progress updates against objectives defined in the people quadrant of the President Director's scorecard.
- Review an annual update of the implementation of the Performance and Reward strategy. This will include metrics around the Performance Management processes, Potential Assessment processes and Reward and Recognition processes and any other material reward strategies and policies.
- Review changes to organisation structures and related organisation design decisions as required.
- Notes minutes of the Diversity Committee and review activity as appropriate.

People Committee Member

People Committee consists of:

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

Meetings

During 2021, People Committee meeting had been held for 11 (eleven) times and 1 (one) circulation only:

- 26 January 2021
- 22 February 2021
- 23 March 2021
- 19 April 2021
- 24 May 2021
- 23 June 2021
- 27 July 2021 (Circulation)
- 23 August 2021
- 28 September 2021
- 19 October 2021
- 23 November 2021
- 16 December 2021

THE IMPLEMENTATION OF FINANCIAL CONGLOMERATES

In line with the revocation of business license of Branch Office the Hongkong and Shanghai Banking Corporation Limited in Jakarta by Otoritas Jasa Keuangan, there are changes on the member of HSBC Financial Conglomerates in Indonesia since 8 April 2019, where PT Bank HSBC Indonesia as the Main Entity with PT HSBC Sekuritas Indonesia as a sister company that become the member of Financial Conglomeration.

A. Integrated Corporate Governance Committee

In order to comply with OJK Regulation No.17/POJK.03/2014 on Implementation of Integrated Risk Management for Financial Conglomerates and OJK regulation 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 OJK regulation. As the Main Entity, the Bank has established Integrated Corporate Governance Committee and Integrated Risk Management Committee.

Duties and Responsibilities of Integrated Corporate Governance Committee

Based on Integrated Corporate Governance Committee guidelines on the Board of Commissioners Decree No. 024/SK/KOM/VIII/2019 dated 27 August 2019 and based on OJK Regulation No 18/POJK.03/2014 dan SEOJK No. 15/SEOJK.03/2015 tentang Penerapan Tata Kelola Terintegrasi bagi Konglomerasi Keuangan, The Committee of Integrated Corporate Governance has duties and responsibilities at the minimum include:

1. To evaluate Integrated Corporate Governance application through, at least, the assessment of internal control adequacy and integrated performance of compliance function; and
2. To give recommendations to the Main Entity Board of Commissioners to enhance Integrated Corporate Governance Guidance.
3. Integrated Corporate Governance Committee must convene meetings at least once every semester.
4. Integrated Corporate Governance Committee meetings are conveyable via video conference.

5. The results of Integrated Governance Committee meetings are written up in the well documented minutes of meeting.
6. Any dissenting opinion that happens at Integrated Corporate Governance Committee meetings is clearly written up in the minutes of meeting as well as the reason therefore.

Integrated Corporate Governance Committee Membership

1. Based on OJK Regulation No 18/POJK.03/2014 dan SEOJK No. 15/SEOJK.03/2015 regarding implementation of Integrated Corporate Governance Integrated Corporate Governance Committee consists, at least, of the following:
 - a. an Independent Commissioner being a Chairman of one of the Main Entity committees, to be Integrated Governance Committee Chairman cum member
 - b. an Independent Commissioner representing and appointed by a Financial Institution under the Financial Conglomeration, as a member
 - c. an independent party as a member.
2. The headcount and structure of Independent Commissioners being members of Integrated Corporate Governance Committee is commensurate with the needs, the efficiency and effectiveness of Integrated Governance Committee's discharged duties, having observed the representatively of each financial services sector.
3. An Independent Commissioner might be a permanent or non-permanent member in Integrated Corporate Governance Committee.

Meetings

During 2021, The Integrated Corporate Governance Committee has held 2 (two) meetings on 11 February 2021 and 6 August 2021.

No	Name	The Integrated Corporate Governance Committee Meeting		
		Number of Meeting in accordance with the Effective Period	Attendance	% Attendance
1	Hanny Wurangian*	2	2	100%
2	Catherinawati Hadiman Sugianto**	1	1	100%
3	Ubaidillah Nugraha	2	2	100%
4	Krishna Suparto	2	2	100%
5	Kartini Sally***	1	1	100%

*) His term of office as chairman of Integrated Corporate Governance Committee has ended as of 30 July 2021 and continue participate as a member

**) Effectively serves as a chairman of Integrated Corporate Governance Committee on 30 July 2021

***) Effectively serves as member of Integrated Corporate Governance Committee on 30 July 2021

B. Integrated Risk Management Committee

Integrated Risk Management Committee is established to provide recommendations regarding 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 regards to:

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

Main Role of the Members of Integrated Risk Management Committee:

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

Integrated Risk Management Committee membership in HSBC Indonesia includes:

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

Meetings

During the course of 2021, the Integrated Risk Management Committee has held meetings two times, on 11 February and 6 August 2021 respectively.

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 a career in the Banking Industry at PT Bank OCBC NISP Tbk, in 2003 and has held various positions 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 positions as Corporate Secretary and Corporate Legal Division Head in PT Bank QNB Indonesia Tbk in early 2013 and also held positions 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 of 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

PT Bank HSBC Indonesia (HBID) continues to focus on improving the management of the risks faced by the Bank including, among others, compliance risk and financial crime, in order to have a strong foundation for future business growth, the role and function of compliance as well as the existing compliance work unit in HBID is very necessary so that the potential risk of bank business activities can be detected early.

Internally, HBID has Guidelines for the Establishment and Implementation of the Compliance Function to improve bank performance, improve compliance with applicable laws and regulations and generally accepted ethical values in the banking industry.

The Compliance Unit is under the responsibility of the Director in charge of Compliance. The Director in charge of the Compliance unit reports directly to the President Director.

In the HBID organizational structure, the HBID Compliance unit consists of Compliance Advisory, Regulatory Conduct, Compliance Operating Office, Compliance Assurance, and Financial Crime (FC).

Compliance Advisory and Regulatory Conduct, supports all business lines and other functions at HBID for the identification and management of compliance risk, supervises independently and objectively. Compliance Advisory and Regulatory Conduct, providing advice and guidance to assist business lines and other functions at HBID to ensure that their activities comply with regulations.

The Compliance Operating Office supports the Compliance unit in carrying out operational activities including financial plans, resources, and information management needs. The Operating Office also ensures the role of the Compliance Unit in the Bank's governance, ensuring transparency to the Bank's management.

FC is a special work unit that supervises the Anti-Money Laundering programme, Prevention of Terrorist Financing (APU-PPT), Sanctions, Anti-Fraud, Anti-Bribery and Corruption and Tax Transparency in all lines in the bank. This function includes the Financial Crime Investigation function under the Compliance unit. This function is also responsible for coordinating the implementation of the Anti-Fraud strategy, reporting to the President Director through the Fraud Panel forum.

Compliance Assurance complements management's direct supervision of business processes, monitoring compliance with procedures and analysis related to key risk indicators carried out by the first line of defense.

In ensuring the implementation of the Compliance Function at HBID, the Compliance Director, assisted by the Compliance Unit :

- ensure the implementation of a Compliance Culture at all levels of the Bank's organization and business activities
- Managing Compliance Risk
- ensure that the policies, provisions, systems, and procedures as well as the business activities carried out by the Bank are in accordance with the provisions of the Financial Services Authority, Bank Indonesia and the prevailing laws and regulations
- ensure the Bank's compliance with the commitments made by the Bank to the Financial Services Authority, Bank Indonesia and/or other competent supervisory authorities.

Regarding integrated governance supervision, with the appointment of HBID as the main entity of the HSBC Indonesia financial conglomerate, the compliance unit at HBID formed an Integrated Compliance Unit to ensure

the implementation of the compliance function is carried out properly in the Main Entity and also in other member of the conglomerate, which is PT HSBC Sekuritas Indonesia (HCID).

As part of compliance risk management, HBID has implemented the Anti-Money Laundering and Prevention of Terrorism Financing (AML-CFT) includes 5 Pillars of AML-CFT risk management, namely: Active Management Supervision, Policy and Procedures, Internal Audit and Control Functions, Management Information Systems and Training/Human Resources. Through Decree No. 012/SK/DEKOM/VIII/2021 dated 26 August 2021 concerning Changes in Anti-Money Laundering Policy Implementation Policy (Anti-Money Laundering Policy) was issued as an improvement to the existing Anti-Money Laundering and Prevention of Terrorism Programme Implementation in the Financial Services Sector based on an annual review conducted has been harmonized with OJK Regulation No.23/POJK.01/2019 concerning Amendments to OJK Regulation No. 12 / POJK.01/2017.

In implementing the APU PPT programme above, in addition to the applicable provisions based on Bank Indonesia regulations and/or other regulations, HBID also adopts provisions based on HSBC Group Global Standards, as long as they do not conflict with local regulations.

Compliance with this Policy and other related guidelines is essential to ensure that HBID complies with laws and regulations related to Anti-Money Laundering, maintains the effectiveness and defense of the AML and CFT Programme and manages AML and CFT risks properly. It is expected that all HBID employees comply with this Policy and the applicable AML and CFT laws, rules and regulations in Indonesia. To ensure this, training and human resource development programmes, especially those related to AML and CFT, are carried out from the start of employees entering HBID, on an ongoing basis and are also carried out specifically for employees who have high exposure to the implementation of APU PPT in their duties and responsibilities.

LEGAL ISSUES

As of 31 December 2021, there were 14 (fourteen) cases involving the Bank with the frequency and/or financial impact of the lawsuits being less significant in affecting the Bank's financial condition and having less major impact on the Bank's reputation.

Furthermore, there is also another 1 (one) case related to non-customers of the Bank who was ex-customer of The Hongkong and Shanghai Banking Corporation Limited (Indonesian Branch Office) who are no longer operating in Indonesia. The value of the lawsuit filed has a significant financial value but as a whole does not affect the financial condition of the Bank considering that the lawsuit is not related to the Bank's customers or parties who have cooperation with the Bank.

SHARE OPTIONS

The Bank did not have share options programme throughout 2021.

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
Martin John Haythorne	-	✓	-	✓	✓	-
Hanny Wurangian	-	✓	-	✓	-	✓
Umar Juoro	-	✓	-	✓	-	✓
Mark Thomas Mckeown	-	✓	-	✓	✓	-
Catherinawati Hadiman Sugianto	-	✓	-	✓	-	✓
Mark Surgenor	-	✓	-	✓	✓	-
Francois de Maricourt	-	✓	-	✓	✓	-
Edhi Tjahja Negara Darmohusolo	-	✓	-	✓	-	✓
Eri Budiono	-	✓	-	✓	-	✓
Stephen Whilton Angell	-	✓	-	✓	✓	-
Dio Alexander Samsoeri	-	✓	-	✓	-	✓
Riko Adythia	-	✓	-	✓	-	✓
Nisha Asha Bhambhani	-	✓	-	✓	-	✓
James Rex Elwes	-	✓	-	✓	✓	-
Yardley	-	✓	-	✓	-	✓

SELF-ASSESSMENT

The result of HBID Self-Assessment for Good Corporate Governance period December 2021 is rating 2. Rating 2 reflects that in general Bank's management has implemented good governance, but continues to make improvements to ensure better management in compliance with TARIF (Transparency, Accountability, Responsibility, Independency, and Fairness) principles.

INTERNAL AUDIT WORK UNIT

The Bank SKAI is an integral part of the Bank's governance and control framework. The main task of SKAI is to assist the Board of Commissioners and Executive Management in securing the organization's assets, reputation, and sustainability. The SKAI provides independent and objective 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 the organization, 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.

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 are 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. 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

and Public Accountant assigned by the Bank, as external auditor registered in Otoritas Jasa Keuangan (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 GMS 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 2021 based on recommendation from Audit Committee with due observation to the prevailing laws and regulations.

KAP Tanudiredja, Wibisana, Rintis & Rekan has completed their audit on the Bank's 2021 financial statements and provided audit report dated 14 March 2022 to Bank 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 performs an effort on Risk Management to fulfil requirements of Risk Management implementation as stated in the Financial Services Authority regulation no.18/POJK.03/2016 and Circular Letter No.34/SEOJK.03/2016 about the Risk Management Implementation for Commercial Bank considering the recommendations of the Basel Committee on Banking Supervision.

In line with this regulation, the Bank has implemented Risk Management policies which are 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 Work Unit.

Currently Risk Management Work Unit has ensured that the process of Risk Management implementation is in good order and provides management with the overview of the Bank's risk profile.

Responsibilities of Risk Management Working Unit included the following:

- Monitors implementation of risk management strategy that has been decided in the Risk Management Committee meeting and approved by Board of Directors.
- Monitor overall positions/ exposures of risks, per type of risk or per business/functional activity.
- Conduct periodic review on the risk management process.
- Review proposals of new activities and/or products that are 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.
- Provide a recommendation on the extent or maximum of risk exposure that should be maintained by the Bank to the Risk Management Committee.
- Evaluate accuracy and validity of data that is used by the Bank for risk measurement.

- Prepare and submit a risk profile report to Risk Management Director and the Risk Management Committee in 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 Bank has established a Risk Management Committee that is independent of operational activities and is responsible to the Board of Directors, and establish a Risk Oversight Committee that is responsible for assisting the Board of Commissioners supervisory functions.

Risk Profile

Overall, the Bank's risk rating as of 31 December 2021 is at rank 2. All inherent risk ratings were Low to Moderate, except Credit Risk which is Moderate.

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, legal risk, reputational risk, strategic risk, and compliance risk.

Risk Management Certification

The Bank's officials and employees have attended Risk Management Certification periodically. During 2021, the total number of officials and employees who have attended Management Risk Certification examination and refreshment is 2,054 participants, which is 123.99% higher than last year.

DETAILED LARGE EXPOSURE

Table of Fund Provision to Related Party and Large Exposure as of 31 December 2021

No	Fund Provision	Amount	
		Debtors	Nominal (Rp Million)
1	To Affiliated ^{*)}	58	763,836
2	To Core Debtors		
	1. Individual	8	8,484,617
	2. Group	15	21,904,344

^{*)} Including fund provision to prime bank related parties

REMUNERATION DISCLOSURES 2021

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 166-168.

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

At HSBC, our remuneration strategy is designed to create an environment where people can be at their best, put customers first, deliver Bank strategy and where people are rewarded fairly and clearly

Employee's remuneration is reviewed on an annual basis during the 'on-cycle' process, also known as Annual Pay Review, including review conducted for the Remuneration of the Board of Commissioners and the Board of Directors. Activity impacting remuneration outside of this process is known as 'off-cycle'

Independent Remuneration Review

Principle	Our approach in 2021
We reward you responsibly	<ul style="list-style-type: none"> We provide financial security; a salary for more than just life's essentials and benefits that provide help when you need it most, now and in the future We provide competitive pay and benefits, working with external organisations that give us the latest data to keep us on track We hold ourselves accountable for doing the right thing, by being transparent that equal work, skills, experience and performance results in equal pay
We recognise your success	<ul style="list-style-type: none"> We differentiate pay based on your role, skills, location, performance, behaviours, potential, and the success of you, your team and HSBC We encourage you to live by our values and work together to drive good performance outcomes and continuously improve We offer attractive share plans so you can benefit from the long-term success of HSBC along with our stakeholders
We support you to grow	<ul style="list-style-type: none"> We invest in your future by helping you learn new skills to achieve your professional goals now and in the future Your wellbeing is a priority – we focus on supporting your mental & physical health and your financial security We provide you with choice and flexibility on how, when and where you work, to help you and your team be at your best to support your customers in a healthy working environment

The Remuneration and Nomination Committee (RNC) evaluates the performance and remuneration of member of the Board of Commissioners, member of the Board of Directors and employees; provides recommendation on nomination and remuneration outcomes to the Board of Commissioners and reported in the Annual General Meeting of Shareholders

Remuneration policy scope and implementation 2021

- The remuneration policy applies to all individuals, employees as well as member the Board of Commissioners and member of the Board of Directors;
- We create an environment where people can be at their best, put customers first, deliver overall Bank strategy and where people are rewarded fairly and clearly.

Remuneration Related to Risk

The Bank 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 objectives are included in all employees' scorecards.
- Employee Recognition and Conduct framework. Under this framework, managers are able to make positive or negative adjustments to variable pay (in addition to any normal year-on-year changes related to performance) to reflect conduct.
- At Our Best Recognition (AOBR) allows for recognition of positive behavior by colleagues, promoting a shared understanding of what HSBC values look like in practice. In 2021, we ran a 'Spotlight on valuing difference' through AOBR to recognise the exceptional actions of employees who contribute to HSBC being a place where everyone feels included, valued, respected and able to be themselves
- 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) 2021 identified with qualitative and quantitative methodology set out by the Bank based on regulation and a portion of variable remuneration will be deferred by 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 to continue the embedding culture of Everyday Performance and Development (EPD) by having frequent and continuous performance conversations between employee and managers

All employees receive a behaviour rating to ensure they are assessed not just on what they achieve, but also how they achieve it. A mandatory risk objective is included in the performance objectives for all employees and specific risk and compliance objectives are included in Director scorecards.

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 the Remuneration associated with performance and risk

In line with the implementation of risk-based remuneration, as stipulated in POJK No. 45/POJK.03/2015, concerning the implementation of governance in the provision of remuneration for commercial banks, the Bank has implemented remuneration policy based on prudential principles with detail as follows:

- a. For Material Risk Takers (MRTs), their portion of variable remuneration will be deferred from 10% if the total variable pay is greater than the amount equivalent to US\$75,000 which will vest in 3 to 5 years
- b. 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:

- Fixed Remuneration: salary and fixed allowances.
- Variable pay: cash and deferred bonus
- Other facilities: company car and its maintenance, medical expenses reimbursement, medical check-up, club membership, etc.

Disclosure of the above remuneration package policy determined in the General Meeting of Shareholders

The types of Remuneration and Facilities for the Board of Directors and Board of Commissioners of the Bank.

Type of Remuneration and Facilities		Amount received in 1 year			
		Board of Directors		Board of Commissioners	
		Number of individuals	Rp Million	Number of individuals	Rp Million
1	Remuneration (salary, bonus, routine allowances, tantiem, and other facilities in the form of non-natura)	9	61,721	3*	4,957
2	Other facilities in the form of natura (housing, transportation, health insurance, etc.)	9	9,625	3*	251
TOTAL		9	71,346	3*	5,208

* Number of commissioners received 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	9	-
Above Rp1 billion up to Rp2 billion	-	3*
Above Rp500 million up to Rp1 billion	-	-
Below Rp500 million	-	-

* Number of commissioners received remuneration

Variable Remuneration 2021

Variable remuneration that 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 are vary depending on individual performance achievement and Bank hold the full discretion to assess the extent to which performance has been achieved.

Awards can be in the form of cash and/or shares. A portion of the the annual award may be deferred and vested over a period of three to five years.

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	9	15,043	3*	-	3,224	196,108

* Number of commissioners received remuneration

Positions of Material Risk Takers 2021

The 2021 Material Risk Takers (MRT) positions identified based on quantitative and qualitative criteria set out by the Bank policy. The outcomes consist of 8 (eight) individuals appointed as MRT, they are:

1. President Director
2. Risk Management Director
3. Head of Global Market and HSS
4. Wealth and Personal Banking Director
5. Commercial Banking Director
6. Global Banking Director
7. Operations and IT Director
8. Finance Director

Ratio of highest and lowest salary

Remarks	Ratio
Ratio of highest and lowest employee salary	120.68 : 1
Ratio of highest and lowest of Director salary	3.5 : 1
Ratio of highest and lowest Commissioner Honorarium	1.06 : 1
Ratio of highest Director salary and highest employee salary	1.34 : 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	-	-	-	-	1	200

* Variable Remuneration Guaranteed without Condition

Number of Terminated Employees and Total Nominal of Severance Paid 2020

58 individuals employment were terminated with total severance pay of Rp26,799 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.

Total Nominal of Severance paid per employee during 1 year	Ratio
Above Rp1 billion	8
Above Rp500 million up to Rp1 billion	6
Below Rp500 million	44
Total	58

Deferred Variable Remuneration

	2021	2020
Deferred Variable Remuneration (in Million Rupiah)	11,963	9,767

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

	2021	
A. Fixed Remuneration (in Million Rupiah)		
1. Cash	42,822	
2. Shares or share-based instruments	-	
	Non Deferred	Deferred
B. Variable Remuneration (in Million Rupiah)		
1. Cash	13,192	2,490
2. Shares or share-based instruments	3,735	4,495

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)
Cash (in Million Rupiah)	7,322	-	-	-
Shares or share-based instruments	11,727	-	-	-
Total (in Million Rupiah)	19,049	-	-	-

Internal Fraud

During 2021, there were no internal fraud cases committed by management, permanent, and non-permanent employees in relation to the Bank's business processes and operations with financial impacts higher than Rp100,000,000.

Customer Compliant 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 2021, the Bank has received a total of 3,078 complaints, of which most complaints received are related to the Payment System of Credit Cards and Other Product - Others (comprises of various products other than those already listed in the table).

As at 31 December 2021, 99.09% of total complaint received had been resolved by the Bank, whilst the remaining 0.91% were still in the resolution process.

CUSTOMER COMPLAINT HANDLING

Period January – December 2021

No	Types of Financial Transaction	Completed		In Process *		Non completed		Total Complaints
		Total	%	Total	%	Total	%	
1	Fund gathering – Current Accounts	-	-	-	-	-	-	-
2	Fund gathering – Savings	7	100.00%	-	-	-	-	7
3	Fund gathering – Deposits	-	-	-	-	-	-	-
4	Fund gathering - Interbank	5	100.00%	-	-	-	-	5
5	Fund gathering - Others	5	100.00%	-	-	-	-	5
6	Fund provision – Credit/ Financing - Investment	-	-	-	-	-	-	-
7	Fund provision – Credit/ Financing - Working Capital	1	100.00%	-	-	-	-	1
8	Fund provision – CreditFinancing – Consumption (other than credit card)	16	100.00%	-	-	-	-	16
9	Fund provision - Interbank	-	-	-	-	-	-	-
10	Fund provision - Others	36	100.00%	-	-	-	-	36
11	Payment System – ATM and/or Debit Cards	632	97.98%	13	2.02%	-	-	645
12	Payment System – Credit Cards	955	99.27%	7	0.73%	-	-	962
13	Payment System – Prepayment Cards	-	-	-	-	-	-	-
14	Payment System – Direct Debit	-	-	-	-	-	-	-
15	Payment System – Standing Instruction	-	-	-	-	-	-	-
16	Payment System – Travelers' Cheque	-	-	-	-	-	-	-
17	Payment System - Clearing	4	100.00%	-	-	-	-	4
18	Payment System - RTGS	4	100.00%	-	-	-	-	4
19	Payment System – Electronic Banking	268	100.00%	-	-	-	-	268

No	Types of Financial Transaction	Completed		In Process *		Non completed		Total Complaints
		Total	%	Total	%	Total	%	
20	Payment System - Remittance	26	100.00%	-	-	-	-	26
21	Payment System - Others	35	97.22%	1	2.78%	-	-	36
22	Joint Products - Bancassurance	-	-	-	-	-	-	-
23	Joint Products – Mutual Funds	-	-	-	-	-	-	-
24	Joint Products - Others	8	100.00%	-	-	-	-	8
25	Other Product – Bank Guarantee	-	-	-	-	-	-	-
26	Other Product – Trade Finance	2	100.00%	-	-	-	-	2
27	Other Product – Derivative	-	-	-	-	-	-	-
28	Other Product – Wealth Management	8	100.00%	-	-	-	-	8
29	Other Product – Safe Deposit	-	-	-	-	-	-	-
30	Other Product - Others	1,038	99.33%	7	0.67%	-	-	1,045
TOTAL		3,050	99.09%	28	0.91%	0	0.00%	3,078

* Data is as at 31 December 2021. At the time of publication, these customer complaints have been settled within the OJK requirement.





CORPORATE **SOCIAL** **RESPONSIBILITY**

190 Sustainability

193 Plan, Focus, and Programmes in 2022

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY

Financial sustainability programmes implemented by PT Bank HSBC Indonesia ("Bank") comply with the Financial Services Authority (OJK) Regulation No. 51/POJK.03/2017 on the Sustainable Finance Implementation for Financial Service Institutions, Issuers, and Public Companies. The Bank also adopts guidelines issued by HSBC Group.

The sustainability vision set by the Bank is "Building a Sustainable Future." The Bank is committed to supporting responsible economic growth and carrying out transition to a low-carbon economy 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 are delivered in collaboration with local partners with competence and direct access to the society and areas in need to ensure the programmes are 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 were implemented in 2021 among others are:

Education

In 2021, the Bank carried out educational social programmes for different social groups covering financial and business skills, as well as employability skills.

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

The targets of financial literacy and business education were students (from elementary to university), teachers/lecturers, housewives who 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 aimed to assist students in facing challenges and changes on the job.



No.	Programmes	Activities	Programme Achievement	Budget Allocation (Rp)
1	HSBC Business Case Competition	<p>HSBC Business Case Competition is a unique education programme aimed at growing 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 in teams that consist of four people in business strategy and presentation. The winning team from Indonesia will get to participate in a regional competition in Hong Kong.</p> <p>The aim of this competition is to explore innovation and analytical skills of university students, obtain presentations from the real business world, and expand professionalism and social network as well as building their own portfolio.</p>	A series of educational activities has been implemented in four different cities in Indonesia: Jakarta, Bandung, Yogyakarta and Surabaya and involved more than 250 university students and 15 universities.	525,695,500
2	HSBC Edu Centre	The HSBC Edu Centre programme is a series of online learning, aimed to prepare future skills for university students when job markets tend to shift towards a remote working system due to the Covid-19 pandemic.	A series of educational activities such as guest lecturers, workshops, and certifications has been carried out in three cities in Indonesia: Medan, Tegal, and Denpasar involving more than 600 university students and 5 universities.	2,569,600,000
3	Rumah Belajar Batik Tasikmalaya	Rumah Belajar Batik Tasikmalaya is a vocational training centre that aims to empower young individuals from marginalised communities. Established with the spirit of preserving heritage and improving welfare, it will be tailored to create batik-preneurs and jobs within the batik industry. The programme will collaborate with local SMEs by providing access to financial literacy modules through interactive and engaging online training.	A series of activities is part of the programme such as online financial literacy training, batik training, business mentoring and business award. The financial literacy training started in the last quarter of this year and was joined by around 900 participants.	2,211,372,800

Environment

The Bank is committed to supporting the global transition towards a low-carbon economy. 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.	Programmes	Activities	Programme Achievement	Budget Allocation (Rp)
1	Natural Climate Solution Model for Mangroves in Indonesia	The project aims to develop, promote, and implement Natural Climate Solutions Model through mangrove protection and restoration to mitigate greenhouse gas emission, improve coastal resilience, and community's livelihood that depends on the ecosystem.	The activity will begin with a workshop for stakeholders in Bengkalis Regency, Riau Province, to create a collaborative action supported by good planning and coordination to accelerate the recovery of mangrove ecosystem in this area.	2,692,707,572

Second Wave COVID-19 Relief and Recovery Programme

In 2021, the Bank conducted the second wave COVID-19 relief and recovery programme as a form of our concern for the most vulnerable communities that focused on providing medical equipment, access to staple needs, and economic resilience in many areas across Indonesia

No.	Programmes	Activities	Programme Achievement	Budget Allocation (Rp)
1	Bersama Hadapi COVID 19 – Bantuan Oksigen	An emergency programme to supply oxygen tanks and tubes for the vulnerable communities in Greater Jakarta, Bandung, Cimahi and its surroundings.	The activity provided oxygen tanks and tubes for 2,300 people in Greater Jakarta, Bandung, Cimahi and its surroundings.	2,057,840,001
2	Livelihood Support MPCA for Community in Jakarta	Immediate relief aid in form of multipurpose cash assistance for the vulnerable communities affected by the COVID-19 second wave.	The donation was provided to 600 households in Jakarta.	1,000,000,000

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. The social empowerment programme aims to empower communities to become more independent, with a better quality of life. The programme focuses on providing new skills and information access to create new opportunities to participate in larger social life.

In 2021, during Ramadan, the Bank conducted programme to share with underprivileged families affected by natural disasters.

No.	Programmes	Activities	Programme Achievement	Budget Allocation (Rp)
1	Bahagia Bersama Ramadhan	Assistance for underprivileged families and children affected by a number of natural disasters in Indonesia.	The activity was conducted in Banjarmasin, Malang, Pontianak and Kediri that reached around 1,500 children and teenagers.	500,000,000

PLAN, FOCUS, AND PROGRAMMES IN 2022

The Bank in 2022 emphasises its commitment towards the implementation of sustainable programmes in Indonesia. The implementation of sustainability strategies is expected to support sustainable economic growth. The priority of sustainable programmes implementation in 2022 includes:

1. Providing skill-set training for youth so they will succeed in competing in the global economy.
 - Financial literacy: Educating young people about the business world and money management.
 - Employability: Helping future generations to develop their skills and abilities to succeed in competing in the global economy.
2. Supporting the development of new business and sustainable international growth.
 - Entrepreneurship: Supporting young entrepreneurs through training 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 a 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 the priorities will be supported by various commercial activities, partnerships, community investment, and employee involvement. The Bank expects these priorities can make the Bank as the leading institution in implementing and promoting sustainable business.

CORPORATE DATA



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SENIOR EXECUTIVE PROFILE

ALI SETIAWAN

Head of Global Markets & HSS

He has served as Head of Global Markets & HSS of PT Bank HSBC Indonesia since 17 April 2017. He obtained Master of Commerce in Economic and Finance, and Bachelor's Degree in Accountancy and Finance from Curtin University of Technology, Perth, Australia.

ARIAVITA PURNAMASARI

Head of Communications and Corporate Sustainability

She has served as Head of Communications and Corporate Sustainability of PT Bank HSBC Indonesia since 15 March 2021. She obtained her Master's Degree in Business Administration from Monash University.

WIWIEN WIDYANTARI

Head of Internal Audit

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

ULIYA ARIANI

Head of Corporate Secretary

She has served as Head of Corporate Secretary of PT Bank HSBC Indonesia since 7 August 2017. She obtained a Bachelor's Degree in Law from Universitas Indonesia.

ELSA ARIANY SETYADI

Head of Strategy and Business Implementation

She has served as Head of Strategy and Business Implementation of PT Bank HSBC Indonesia since 15 February 2021. She obtained a Bachelor's Degree in Economics from Universitas Tarumanegara.

GRACE ROSALIE PAPILAYA

General Legal Counsel

She has served as General Legal Counsel of PT Bank HSBC Indonesia since 3 July 2017. She obtained a Bachelor's Degree in Law from Universitas Indonesia.

ADDRESS OF OFFICES & BRANCHES

Jakarta

HSBC - KEBON JERUK

Ground Floor, Wisma AKR, Jl. Panjang No.5, West Jakarta, 11520

HSBC - PURI KENCANA

Ruko Puri Kencana Niaga, Jl. Puri Kencana, Blok J1 No. 20 and 2P, Kel. Kembangan Selatan, Kec. Kembangan, Jakarta Barat, 11610

HSBC - TOMANG

Graha Antero, Jl. Tomang Raya No. 27 Blok E 11 Kav No 921, Jakarta Barat, 11440

HSBC - MELAWAI

Jl. Melawai Raya No. 26, Kel. Kramat Pela, Kec. Kebayoran Baru, Jakarta Selatan

HSBC - PONDOK INDAH

Pondok Indah Office Tower 2, Ground Floor Unit G01 & Lt Mezzanine Unit 101. Jl. Sultan Iskandar Muda Kav V-TA, Pondok Indah, Jakarta Selatan

HSBC - TALAVERA

Talavera Office Park Ground Floor Unit 1-01 and Mezzanine floor Unit 2-01 & 2-02; Jl. Letjen TB Simatupang Kav. 22-26, Jakarta Selatan 12430

HSBC - PLUIT

Jl. Muara Karang Raya Blok B-8 Utara No.1, Jakarta Utara, 14440

HSBC - PIK

Rukan Exclusive Mediterania Blok B No. 27A- 27B, Kel. Kamal Muara, Kec. Penjaringan, Jakarta Utara

HSBC - PLUIT KENCANA

Jl. Pluit Kencana No. 85 C-D, Blok : B Kav. No. 6, Kel. Pluit, Kec. Penjaringan, Utara, 14450

HSBC - WISMA 46

Gedung Wisma 46 - Kota BNI Ruang G.02 Ground Floor, Jl. Jendral Sudirman Kav.1, Jakarta Pusat

HSBC - KUNINGAN

Ground floor Suite 102, Jl.Rasuna Said Kav. C 11-14. Jakarta, 12940

HSBC - SENAYAN

Sentral Senayan Building I Unit No. 101 B, Ground Floor, Jl. Asia Afrika No.8 Senayan, Jakarta Pusat 10270

HSBC - WTC

World Trade Center 1F, Jalan Jendral Sudirman Kav 29-31, Jakarta Selatan 12920

HSBC - JEMBATAN LIMA

Jl. K.H. Mansyur No. 120 G dan H, Jakarta Barat, 11250

HSBC - KOPI

Jl. Kopi No. 2K, Kel. Roa Malaka, Kec Tambora, Jakarta Barat 11230

HSBC - HAYAM WURUK

Jl. Hayam Wuruk No. 106D, Kel. Maphar Kec. Taman Sari, Jakarta 11160

HSBC - KELAPA GADING BOULEVARD

Jl. Raya Barat Boulevard Blok LC.6 Kaveling No. 39 dan 40, Jakarta Utara

HSBC - KELAPA GADING

Jl. Boulevard Blok FY-1/7-8 Kelapa Gading, Jakarta, 14250

HSBC - SUNTER

Perumahan Puri Mutiara Blok A Kav No. 93 dan 95, Kel. Sunter Agung, Kec. Tanjung Priok, Jakarta Utara

Bekasi

HSBC - BEKASI

Jl. Komplek Sentral Niaga Kalimalang Blok A8 No 10, Kel. Margajaya, Kec. Bekasi Selatan, Bekasi , Jawa Barat 17141

Tangerang

HSBC - BSD

Jl. Pahlawan Seribu No. 8A-B, Lengkong Gudang, BSD
Tangerang, 15321

HSBC - GADING SERPONG

Cluster Rodeo Drive Blok A No 1, Jl Gading Serpong
Boulevard, Kel. Pakulonan Barat, Kec. Kelapa Dua
Tangerang 15810

HSBC - TANGERANG

Jl. Merdeka No. 92 Blok A-12, Tangerang, 15114

Balikpapan

HSBC - BALIKPAPAN

Jl. Jend. Sudirman No. 9 Balikpapan, 76112

Pontianak

HSBC - PONTIANAK

Jl. Ir. Juanda No. 37-39, Pontianak, 78117

Samarinda

HSBC - SAMARINDA

Jl Jend Sudirman No 28, RT 5, Pasar Pagi, Samarinda
Kota, Samarinda, 75242

Denpasar

HSBC - DENPASAR

Ruko Sudirman Panjer, Jl. PB Sudirman, Kel. Panjer,
Denpasar Selatan

Malang

HSBC - MALANG

Jl. Pasar Besar 99, Malang, 65118

Banyumas

HSBC - PURWOKERTO

Jl. S. Parman No. 84, Kelurahan Purwokerto Kulon,
Kecamatan Purwokerto Selatan, Banyumas, Jawa
Tengah, 53141

Semarang

HSBC - SISINGAMANGARAJA

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

HSBC - SEMARANG

Wisma HSBC 1F, Jalan Gajah Mada 135, Semarang,
50134

Solo

HSBC - SOLO

Jl. Slamet Riyadi No. 74 A, RT 002/RW 003, Kel. Kauman,
Kec. Pasar Kliwon, Surakarta, 57112

Surabaya

HSBC - BUKIT DARMO

Ruko Office Park 2, Jl. Bukit Darmo Boulevard Blok B2-
29, Kel. Pradah Kalikendal, Kec. Pakis, Surabaya, 60162

HSBC - MANYAR

Jln. Manyar Kertoarjo 31A-G, Surabaya, 60285

HSBC - JEMURSARI

Jl. Raya Jemursari No. 240B-242, Surabaya, 60237

HSBC - SURABAYA

Graha HSBC, Jl. Jendral Basuki Rachmat No. 58 - 60,
Surabaya, 60271

HSBC - DARMO PARK

Darmo Park I Blok A1-2, Jl. Mayjen Sungkono No 118-
118A, Surabaya, 60256

Yogyakarta

HSBC - YOGYAKARTA

Jl. P. Mangkubumi No. 63, Yogyakarta, 55232

Batam

HSBC - RADEN PATAH

Komplek Sumber Jaya Blok: A No. 01 – 03, Jl. Raden
Patah, Kel. Lubuk Baja Kota, Kec. Lubuk Baja, Daerah
Kota Batam, 29444

Medan

HSBC - MEDAN

Wisma HSBC 1F, Jalan Diponegoro No. 11, Medan, 20152

HSBC - MEDAN CENTER POINT

Komplek Centre Point Business Park Blok G10 - 11,
Jl. Jawa, Medan, 20412

HSBC - CIREBON MEDAN

Jl. Cirebon No. 19-21, Medan, 20212

HSBC - PERINTIS

Jl. Perintis Kemerdekaan No. 9, Kel. Gaharu, Kec. Timur,
Medan, 20234

Pekanbaru

HSBC - PEKANBARU

Jl. Riau No. 2 A-C Kel. Tampan Kec. Payung Sekaki
Pekanbaru

Jambi

HSBC - JAMBI

Jl. Hayam Wuruk No. 46-47, Jelutung, 36136

Bandar Lampung**HSBC - TELUK BETUNG**

Jl. Ikan Bawal no 79 -81 Teluk Betung, Bandar Lampung,
35223

Makassar**HSBC - MAKASSAR**

Jl. Dr. Sudirohusodo No. 42, Makassar, 90174

HSBC - PANAKKUKANG

Jl. Boulevard Ruko Jasper II F No. 30, Panakkukang,
Makassar, 90213

Manado**HSBC - MANADO**

Komplek Ruko Mega Mas Blok : C1 No. 15 - 16, Jalan
Pierre Tendean Boulevard, Kel. Wenang Selatan, Kec.
Wenang, Kota Manado, Sulawesi Utara, 95111

Palembang**HSBC - BASUKI RAHMAT**

Jl. Basuki Rahmat, no. 24, Palembang, 30125

Pangkal Pinang**HSBC - PANGKAL PINANG**

Jl. Soekarno Hatta No 17, Pangkal Pinang, Bangka
Belitung, 33145

Bandung**HSBC - BANDUNG ASIA AFRIKA**

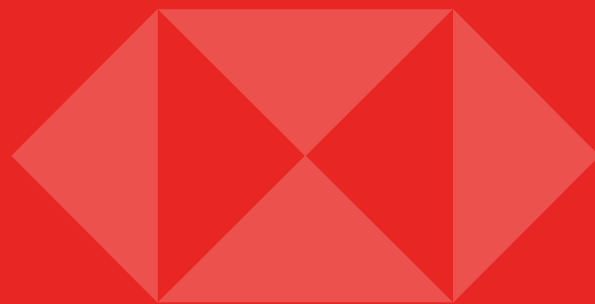
Wisma HSBC, Jl. Asia Afrika No. 116, Bandung, 40261

HSBC - BANDUNG FLAMBOYAN

Unit F1, 1st and 2nd floor, Jl.Sukajadi No. 232, Bandung,
Jawa Barat, 40153

HSBC - DAGO

Jl. Ir. H. Djuanda No. 74, Dago, Bandung, 40132



2021 SUSTAINABILITY REPORT



SUSTAINABLE OVERVIEW

PTBankHSBCIndonesia's(Bank)SocialandEnvironmental Responsibility Report refers to the Financial Services Authority Regulation No 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies. So what we are presenting here is the Sustainability Report.

In line with the parent company's policy, HSBC Holdings Plc, the Bank is committed to implementing sustainability aspects, both as the distribution of economic benefits and as a manifestation of concern towards the environment and social responsibility.



ECONOMIC ASPECT

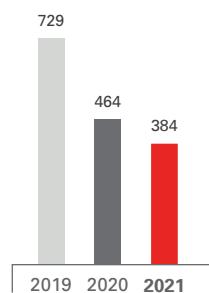
In the economic aspect, the Bank seeks to distribute the received economic value to the stakeholders by, e.g. paying taxes compliantly, meeting other obligations, and carrying out the intermediation function in credit distribution.

Distribution of Benefits to the Indonesia's Economy (Rp billion)



Payments to the Government
(Taxes, Levies, and Others)

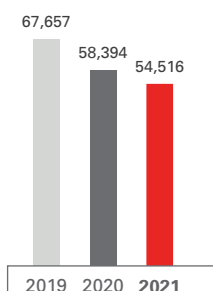
384



Banking Product Performance (Rp billion)

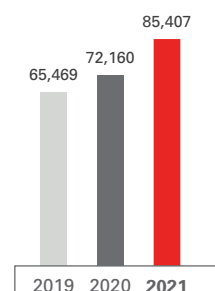
Credits Granted

54,516



Third-party funds

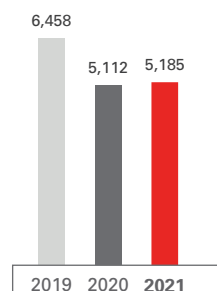
85,407



Banking Product Performance (Rp billion)

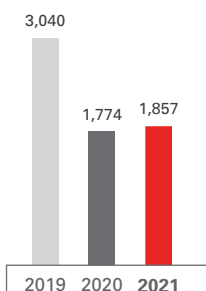
Operating
Income

5,185



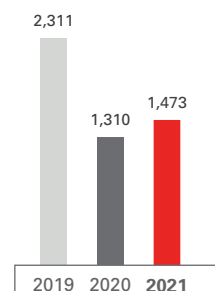
Income
before tax

1,857



Net
Income

1,473





ENVIRONMENTAL ASPECTS

The Bank is still committed to environmental preservation, even though the business activities do not have a direct relationship. The Bank's concern for environmental preservation is primarily manifested through its operational activities.



Operational Efficiency

14%

The bank was able to reduce paper use by around 54 tons, from 377 tons to 323 tons. This success is mainly supported by the development of digitalisation within the Bank.



Electrical Energy Efficiency

3,134 MWh

In 2021, the Bank successfully reduced electricity consumption by 32% to only 6,517 MWh from as high as 9,651 MWh in the previous year.



Carbon Footprint

2,745 Ton

The Bank successfully reduced its carbon footprint, including operational activities that use more efficient technology. As a result, the carbon footprint produced in 2021 decreased by 35%, to 5,140 tons.



SOCIAL ASPECT

In the social sector, not only concerned with the internal organisation, but the Bank also seeks to contribute to the general public. Among the Bank's realised programmes was the oxygen cylinder, a health device that was hard to find in the market when there was a surge in COVID-19 patients.



Gender Equality

55.64%

The Bank upholds the principle of gender equality within the organisation. This commitment is realised from recruitment to career development. Even in 2021, the composition of female employees was 55.46%, higher than male employees at 44.36% of the total 3,154 employees. This proves that the Bank has been practising gender equality.



Employee Competency Development

4,034 participants

Throughout 2021, the Bank facilitated 4,034 of its employees to participate in training as part of competency development, with a total of 60,412 training hours.

Handling COVID-19

Rp2,058 Million

The Bank also has a deep concern for the latest development in the community. Therefore, in 2021, the Bank distributed its COVID-19 pandemic-handling budget, which was distributed as oxygen cylinder assistance for the community.



ACHIEVEMENTS IN SUSTAINABILITY

PROUD TO SUPPORT INDONESIA

HSBC has been in Indonesia for 138 years. We are proud of our historic presence. Over the last 2 (two) years, as has most businesses and the global community, we acknowledged the severe landscape brought about by the COVID-19 pandemic. Nonetheless, we managed to navigate through it in the end.

We remained focused on supporting a sustainable economy in Indonesia and helping the country to achieve its **"Net Zero."** An environmentally friendly country that prioritised green economy.

ACHIEVEMENTS IN 2021

In the 2021 financial year, the Bank was consistent in fulfilling its sustainability commitment, which included



Support for Clean Energy

On 10 August 2021, HSBC collaborated with the World Resources Institute (WRI) and WWF to launch a five-year project to accelerate the use of renewable energy and encourage the private sector to make investments in support of the transition towards renewable energy. The programme laid its focus on the commercial and industrial sectors in Indonesia.

This project was part of HSBC's global initiative under its US\$100-million Climate Solutions Partnership. The budget would be allocated to help eliminate financing barriers experienced by companies and projects who sought to contribute in overcoming the impacts of climate change. In Indonesia, this programme will support sustainable projects that often have difficulties in accessing financing due to the lack of policy framework, the wide gaps between demand and supply, or shortages in supply of measurement tools and business cases.

the Bank has switched to using payment cards that are made of 85% recycled plastic, with gradual rollouts across global markets, including Indonesia in mid-2021, in collaboration with global card manufacturer IDEMIA.

The transition towards recyclable cards will be made in phases, starting with cards issued to the Bank's new customers, followed renewed cards issued for existing customers when the validity of their credit and debit cards expire. In a year, HSBC produces 23 million cards worldwide. With the ongoing switch to this new eco-friendly card, by the end of 2025, HSC will have produced only 805 metric tons, a saving of 161 metric tons of carbon emissions per annum.



Reviving Citarum River

In collaboration with the Kehati Foundation, the Bank ran the "Revive Citarum" programme. This programme asks for an active participation of industries operating along the river (DAS) in preserving the Citarum, gives appreciation to industrial groups who show concerns towards the environment and support education on environmental recovery by the local community.



The Launch of Recycled Debit and Credit Cards

HSBC Indonesia has started to abandon the use of single-use plastic credit and debit cards, coinciding with World Environment Day on 7 June 2021. Furthermore,

This programme, which is run with an inclusive approach, received very warm welcome from industry players. They are actively involved in educational programmes and efforts to raise awareness of Citarum River conservation.



Sustainability Programme through Global Sharia Equity Fund

The Bank collaborated with PT Batavia Prosperindo Asset Management to launch its US\$ denominated Global Sharia Equity Fund products. This is a programme the Bank had recently initiated to support the achievement of sustainable net-zero target.

The programme weighs on environmental, social and governance (ESG) aspects through a number of indicators. One of the indicators is how to build a portfolio of companies that use the best ESG practice as guidance, and how to encourage social change towards sustainability.



Supporting Smallholder Environmental Awareness

HSBC works closely with the World Wildlife Fund (WWF), a non-profit organization who has a mission of protecting near-extinct animals and species and supporting small farming communities to build an environmentally friendly Indonesia. This programme is part of the Bank's sustainability initiatives, which is demonstrated through e.g. the Bank's consistent support for oil palm plantations in Indonesia to stop deforestation practice while implementing a sustainable framework. In addition, the Bank is also working with Seaweed Harvesters to create a sustainable export market for seaweed farmers, and with coffee farmers to promote sustainable supply chains and develop better or environmentally friendly agricultural practices.



We help Indonesia go green the Country's 30-year SDG Bonds and Green Sukuk

HSBC maintains good relations with the Indonesian government and provides expertise support in the country's bond issuance initiatives. Recently, of a number of participating banks, the HSBC team won the trust of the government for the issuance of its global bonds valued at approximately US\$1.8 billion in total and equivalent in two currencies (US\$/EUR) and three tranches, including US\$750 million Green Sukuk. In 2021 – with a 30-year term which is the longest-term Green Sukuk issued globally, and a EUR 500 million EUR Sustainable Development Goals (SDG) Bond

tranche which is the first 40-year bond to be issued under the Letters Framework Valuable Government for the recently published SDGs.

The above transaction is the 9th mandate given by the Indonesian government to HSBC as its trustworthy banking partner in bond instruments since 2018 and has cemented the bank's position in supporting the Indonesian government's strategic steps towards sustainable growth.



We support the "Circular Economy" in Indonesia with Green Loan

Bank HSBC Indonesia supports the growth of Indonesia's circular economy by e.g. providing green loans. Recently, a green loan of Rp27 billion was given to a manufacturing company that produces recycled paper from waste papers that are sourced partially from waste paper collectors. The production of recycled paper has an important role in supporting the growth of the circular economy in Indonesia, for instance, that it can help improve the economy of used paper collectors.

The transaction also has significantly helped the country to achieve Sustainable Development Goals while mitigating the impacts of climate change. This is a form of the Bank's unwavering commitment to support more sustainable economic growth in the country.

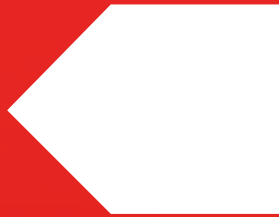


Mangrove Restoration

For the next 3 years, the Bank and the Nusantara Nature Conservation Foundation (YKAN) will be implementing 2nd phase of Mangrove Ecosystem Restoration Alliance (MERA) programme in collaboration with the Climate and Land Use Alliance (CLUA), in an effort to restore more than 200,000 hectares of mangrove ecosystem in Riau and protect coastal areas while improving the local economy with productive forests, forest products, environmental sustainability, tourism and research. This programme involves various parties such as local governments, universities, companies, NGOs and community groups.



SUSTAINABLE STRATEGY



The implementation of PT Bank HSBC Indonesia's (Bank) sustainability strategy is consistent with HSBC Group's long-held global commitment. The strategy implementation also aims to create sustainable economic growth by aligning economic, social and environmental interests.

The strategy implemented by the Bank is an elaboration of the implementation of the Bank's vision and mission as well as a sustainable financial action plan. The Bank defines that sustainable financial activities include all financing and investment activities needed to support the Sustainable Development Goals (SDGs).

The main objective of the Bank's RAKB is to provide financing that will enable the transition to a low-carbon economy and help clients manage the risks caused by this transition. Sustainable financing activities include providing credit and loan facilities, in addition to consulting services or access to the capital market.

Sustainable finance activities help businesses transition from carbon-intensive activities and develop the new energy sources, technologies and infrastructure that are needed for a cleaner future. It also means providing the funds needed to help retail customers move towards becoming more energy efficient at home or when making investment in renewable energy sources.

The work plan for sustainable finance activities is part of a wider effort to link finance to the specific needs of the Indonesian and global economy as well as to the interests of the world and society. This work plan specifically aims to:

1. Prioritizing sustainability in risk management. This includes environmental and social objectives in financial decision-making to contain the financial impact of environmental and social risks.

2. Shifting the orientation of capital flows towards sustainable investment. Strategic investments are channelled into energy, environmental and resource efficiency projects, as well as social infrastructure.

The work plan for sustainable finance activities emphasises explicitly the urgency and importance of establishing a committee for sustainable finance activities. Therefore, the Bank has established a working group in order to encourage the implementation of the RAKB. Certain business and support units are members of the working group.

To ensure effective implementation, the working group will provide guidance and direction on priority activities and programmes and work closely with various stakeholders, including the government, NGOs, and the community. The Bank also allocates the budget in donations and non-donations as a commitment to achieve short-term and long-term goals.

Action Plan 2019-2023

The Bank already has a five-year RAKB, which has been implemented in 2019. The RAKB has been approved by the Board of Commissioners and the Board of Directors and submitted to the Financial Services Authority (OJK). The following is a summary of the RAKB.

1. Training and education.
2. Lead and establish a debate forum around sustainable finance and investment activities.
3. The risk of transition (transition risk).
4. Sustainable operations.
5. Improve and promote sustainable investment products.
6. Actively engage with clients operating in the high carbon sector to support and drive their transition strategy, reviewing their approach to reducing greenhouse gas emissions.

In detail, the plan has been implemented for 2 (two) years. Meanwhile, the remaining 3 (three) (2021-2023) are formulated as follows:

Year	Target Priority Activities	Indicator of Success
2021	To conduct a study: <ul style="list-style-type: none"> - Market demands related product and, or sustainable finance services. - The alignment of existing products and services with sustainable business criterias. - PSustainable finance products and services development. - Integrate risk management, environmental, social and governance into banking practices. 	Result study of lending in priority sector will be use as guideline in development of sustainable finance product and services.

Year	Target Priority Activities	Indicator of Success
2022	Provide sustainable financing and investment across customer groups and products.	<ul style="list-style-type: none"> - Sustainable financing to corporate customers, government and municipalities, and individuals with suitable products, such as infrastructure and project finance, capital market, credit and lending (retail and wholesale). - Sustainable investment to institutional and individual investors with suitable products, such as global markets, asset management, wealth management and insurance.
2023	Portfolio in sustainable finance increased since its first year of implementation.	Total sustainable finance in credit/lending as of 31 December 2023 is Rp500bio.

Programme Implementation Evaluation System

The working group on sustainable finance activities develops effective methodologies and tools consistent with the objectives of the measurement mechanism for assessing the progress and impact of sustainable finance initiatives. The methodology and tools include:

- Analyse the approaches and indicators currently used to measure the implementation and impact of sustainable financial activities.

- Give appropriate measurement framework design options to assess progress in areas such as prioritisation of environmental and social considerations into risk management and business operations, financial flows to green projects, environmental and social impacts, and the effectiveness of different strategic options.

Realisation Programme in 2021

Throughout 2021, the Bank realised the plans listed in the RAKB. The description is given in the table below.

No.	Programme	Realisation/Activities
1	Organizing risk management policy training for relationship managers (RM).	4 (four) training have been held, with 20-25 participants per session.
2	Quarterly meetings between green champions, relationship managers and team leaders on the progress and renewal of sustainable financial activities.	Participated by green champion regularly every 3 (three) months.
3	Workshops and seminars on sustainable finance activities.	2 (two) workshops and seminars have been held a year, with 20-25 participants per session.
4	Workshops or seminars on sustainable financial activities for externals.	2 (two) external workshops have been held, with 30 participants per session.
5	Development and implementation in client planning.	Incorporating sustainable finance aspects into the customer's monthly business plan.
6	Environmental performance scorecard.	Incorporating sustainable finance aspects into the customer's monthly business plan.
7	Use sustainable risk policies as policies and guidelines in providing financial services to clients.	Successful implementation of policies/rules and guidelines in providing financial services for clients in agriculture, commodities, chemicals, energy, forestry, mining and metals, world heritage sites & Ramsar wetlands, defence equipment and equatorial principles.

COMPANY PROFILE

As a bank with global operations and a pioneer in modern banking in Asian countries, HSBC Group has a long history in Indonesia. The Bank opened its first office in Jakarta, Indonesia, in 1884. The purpose was to facilitate sugar trading as one of the major commodities traded then. In 1896, the Bank's operations were expanded to Surabaya.

During World War 2, HSBC closed its operations in Indonesia. However, in 1968, HSBC was re-granted its banking license and since then has continued to grow as one of the most prominent foreign banks operating in Indonesia.

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

On 17 April 2017, the HSBC Group integrated all of its foreign bank branch offices into PT Bank HSBC Indonesia (the "Bank") to support the Government of the Republic

of Indonesia's banking consolidation agenda. The Bank is the first international banking financial institution to obtain a license to integrate a foreign branch office.

Until the 2021 financial year, the Bank had served customers through 54 offices in 23 cities in Indonesia. With the support of more than 3,000 employees, the Bank reaches out to customers with a variety of banking services: Wealth and Personal Banking, Commercial Banking, and Global Banking and Markets.

SUSTAINABLE VISION AND MISSION



Sustainable Vision and Mission

HSBC defines sustainable finance activities as banking services related to environmental, social responsibility or criteria in business management or investment decision making. Sustainable finance activities include financing and investment activities that are needed to support the Sustainable Development Goals and, in particular, to focus on efforts to combat the threat of climate change.



Values

Our values define who we are as an organisation and what makes us distinctive.

We value difference

- We were born speaking different languages. We were founded on the strength of different experiences, attributes and voices; they are integral to who we are and how we work.
- The greater our empathy and diversity, the better we reflect the worlds of our customers and communities – and the better we can serve them.
- So we champion inclusivity. We listen. We remove barriers. And we seek out views different from our own.

We succeed together

- We offer our customers a unique breadth of opportunity.
- And we can only deliver the full promise of this by being truly connected – across boundaries. With our customers and partners. Together as colleagues and an organisation.
- We collaborate across boundaries. We break down silos. We trust and support each other – and, when necessary, get out of each other's way.
- Together, we make possible what we cannot do alone.

We take responsibility

- What we do has a real impact on people's lives, communities and the planet. We take this responsibility seriously.
- We set ourselves high standards and are each accountable for our actions. We always use good judgement. And if something does not feel right, as colleagues we speak up and act.
- We build for tomorrow, today. We succeed only by taking the long view by focusing on the sustainable interests of our customers, investors, and the planet we all share.

We get it done

- We create value for our customers and investors by always moving forward and making things happen.
- We're entrepreneurial: We try new things, we learn and improve, and we take smart risks.
- We're dynamic: We reject mediocrity. We move at pace.
- We're decisive: We make clear choices and take bold actions.
- And we keep our word: We always do what we promise.

Business Scale

(Rp Billion)

Description	2021	2020	2019
Asset	124,462	112,601	111,86
Liability	104,321	93,303	93,724
Equity	20,141	19,298	18,136

Headcount

At the end of the 2021 financial year, HSBC had a total of 3,154 headcounts, 1,755 or 55.64%, of whom were female employees. In addition, most of the Bank's employees, or 2,215 or 70.32% of the total employees, were of very productive age (18-40 years).

More details about the demographics of the Bank's employees are available on page 74-75.

Membership of the Association

The Bank joins various organisations or associations in accordance with the company's line of business. The following are the details of the association until the end of the 2021 financial year.

Name of Association	Purpose	Position in Association
IBCS - Indonesia Business Council for Sustainable Development	By committing to acting and sharing experiences, our goal is to engage in sustainable development and gain insight into the business. We are also looking for business networks to build sustainability strategies and possible peer companies for greater collective impact.	Member
IKBI – Indonesia's Sustainable Finance Initiative	An industry-led association aims to create an efficient climate and economic resilient financial solutions and capture new business opportunities while connecting with green/sustainable funds, climate and related SDGs.	Member
MVB – Most Valued Business Indonesia	To enhance sustainable development through education, collaboration, and promotion of corporate responsibility starts with the Company's core values with opportunities to acquire knowledge, relationships, and platforms.	Member
Compliance Director Communication Forum (FKDKP)	Forum of communication and consultation for Compliance Directors in the Indonesian banking industry.	Member
Indonesian International Banks Association (Perbina)	Association to channel the aspirations of international banks to the Government, Parliament, and banking industry regulators (OJK & BI).	Member
National Private Banks Association (Perbanas)	Association to channel banking aspirations to the government, Parliament and banking industry regulators (OJK & BI).	Member
Indonesian Credit Card Association (AKKI)	An association to build a healthy and responsible credit card industry for credit card issuers, cardholders, merchants, key players (American Express, JCB International, MasterCard International, and Visa International) and other related parties.	Member
Indonesian Payment System Association (ASPI)	An 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
Indonesian Entrepreneur Association (APINDO)	An association to accommodate, initially, issues related to industrial affairs, but now also industrial and national affairs.	Member
British Chamber of Commerce (Britcham)	To represent the common interest of the UK business community in promoting bilateral trade, services and investment between the UK and Indonesia, and the region.	Member
European Chamber of Commerce (EuroCham)	To represent the common interests of the European business community in promoting bilateral trade, services and investment between Europe and Indonesia, as well as the region.	Member
American Chamber of Commerce (AmCham)	To represent the common interest of the American business community in promoting US-Indonesia commercial relations and is a primary source of information and business networking for its members.	Member
German-Indonesian Chamber of Industry and Commerce (EKONID)	To represent the common interests of the German business community in promoting German and Indonesian commercial relations, act as a strategic link between the German and Indonesian economies, represent the bilateral business interests of member companies and institutions, provide a platform for international knowledge transfer and open up trade and investment opportunities.	Member
Association of Indonesian Mutual Funder and Investor (APRDI)	Association of banks that manage mutual funds in Indonesia to discuss industry-related issues, and to serve as a collective voice to create representatives on behalf of the industry.	Member
Indonesian Custodian Bank Association (ABKI)	An association of custodian banks in Indonesia to discuss industry-related issues, and to serve as a collective voice to represent on behalf of the industry.	Member
Indonesia Corporate Secretary Association (ICSA)	An association to improve the professionalism of Corporate Secretary in Indonesia and to support efforts to develop good corporate governance, through the development of knowledge and skills, exchange of information and communication forums for Corporate Secretary, regulators and other stakeholders.	Corporate Secretary as Member
Indonesia Foreign Exchange Market Committee (IFEMC)	A committee to discuss issues related to the development of the Indonesian financial market between market players, associations related to financial markets, Bank Indonesia and the Financial Services Authority (OJK) to strengthen the Indonesian financial market's integrity and reputation well as support the national economy.	Co Chairman
ACI Financial Market Association of Indonesia	A professional institution that provides added value to the financial industry in Indonesia and Globally, institutions, individual members and society in general through education, socialisation and the establishment of professional and responsible Market Practices in Financial Markets.	Member
Indonesia Country Program (ICP)	A forum of dialogue and exchange of views for directors and country managers from various industries with various business objectives.	Member
Tenggara Strategies	A business and investment research and advisory institution that provides the business community with comprehensive and adequate business intelligence on matters that can help business leaders make strategic decisions.	Member

REPORT FROM THE BOARD OF DIRECTORS

The Board of Directors' explanation of the commitment and implementation of PT Bank HSBC Indonesia's sustainable finance is presented in the Board of Directors' Report section of this Annual Report.



SUSTAINABLE GOVERNANCE



SUSTAINABLE GOVERNANCE

PT Bank HSBC Indonesia ensures that it will always be guided by good corporate governance standards in running the business. The Bank applies compliance principles and best business practices applicable in the industry as a guideline in the Bank's business activities and operations.

The Bank does recognise the wider responsibility to the community, e.g. to increase financial literacy and inclusion and deliver other benefits. Therefore, the Bank seeks to create various programmes to help the public access financial services.

To support the implementation of sustainable finance, the Bank is also supported by the Center for Sustainable Finance. This unit in the HSBC Group operates globally and publishes research reports related to sustainable finance principles, including the evolution of energy and climate change.

As a reference, in implementing sustainable finance, the Bank is guided by OJK Regulation No 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies and related regulations. The Bank has also adopted the parent entity's guidelines to apply globally.

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 Directors

The implementation of sustainable finance within the Bank involves the role of the entire company organisation, including the Board of Commissioners and the Board of Directors. Strategic policy formulation and evaluation always involve the Board of Commissioners in order to achieve the objectives of implementing sustainable finance principles.

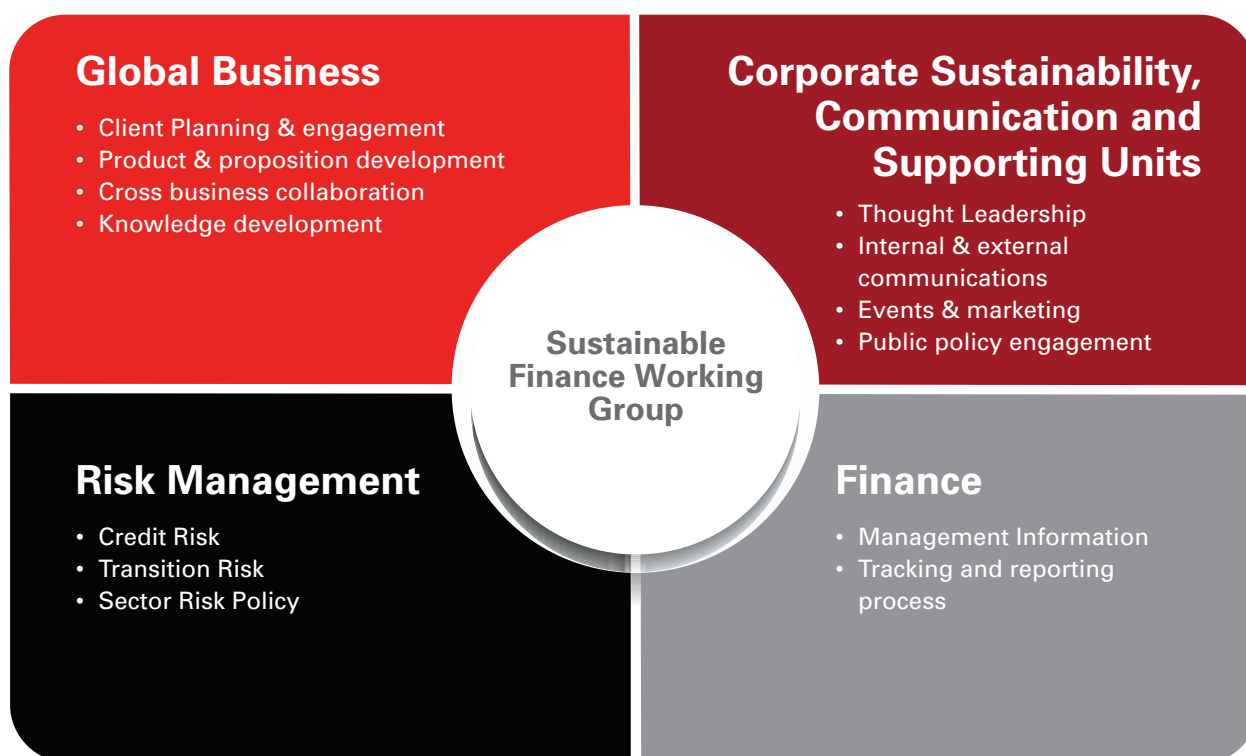
The Bank mobilises all the necessary resources to implement Sustainable Finance, including funding sources, human resources, and cooperation partners. The source of funds used to execute a sustainable financial action plan comes from operational funds in the form of donated and non-donated funds.

The human resources involved in the operational field are business units and support units within the organisation that play a role in implementing the sustainable finance action plan under the coordination of the working group on sustainable finance activities. Meanwhile, the cooperation partners are businesses, non-profit organisations, and the government as a cooperation partner in implementing the sustainable finance action plan.

In implementing the initiative in integrating environmental, social, and governance (LST), the Board of Commissioners runs its oversight system, while the Board of Directors is responsible for submitting the implementation report.

The Bank's Board of Directors and the Board of Commissioners get an update on sustainable initiative activities every semester. The updated information relates to the implementation of programmes related to the three pillars: people, planet, and profit, as well as developing relationships or interactions with relevant stakeholders, such as non-governmental organisations.

A more detailed explanation of the duties, authorities, and responsibilities of the Board of Directors and the Board of Commissioners is available in the "Corporate Governance" section of this Annual Report under the "Corporate Governance" section.



Sustainable Finance Competency Development

A more detailed competency development carried out by members of the Board of Directors, members of the Board of Commissioners, committees, employees and others is available on page 77-83 of this Annual Report.

Participant	Training Name	Organiser
Board of Commissioners	2020 Market Conduct Risks	HSBC University
Board of Commissioners	Advanced Competition Law - Upperhand	HSBC University
Board of Commissioners	An Introduction to Tax Transparency and Combating Tax Evasion	HSBC University
Board of Commissioners	Anti-Harassment and Discrimination Training	HSBC University
Board of Commissioners	Big Data and Artificial Intelligence – Senior Leaders	HSBC University
Board of Commissioners	Combating Tax Evasion- Managing Staff and Suppliers	
Board of Commissioners	Introduction to Climate Risk	
Board of Commissioners	Making the Most of Customer Feedback	HSBC University
Board of Commissioners	Model Risk Management - Navigating the Model Life Cycle: A Practical Guide for the Model Community	HSBC University
Board of Directors	Adapting & Sustaining Indonesia Banking in the Era of New Normal COVID-19	BSMR
Board of Directors	High Risk Role Learning – Anti-Money Laundering Sanctions and Tax	HSBC University
Board of Directors	Navigating the Model Life Cycle: A Practical Guide for the Model Community	HSBC University
Board of Directors	Procurement Part 2: How to Manage Risk When Buying Goods or Services	HSBC University
Board of Directors	Risk Induction Assignment Exclusion	
Dewan Komisaris dan Direksi	Introduction to Climate Risk	

Implementation of Sustainable Risk Management

In risk management, the Bank has a procedure for risk identification, measurement, monitoring and control of the implementation of sustainable finance related to economic, social and environmental aspects. The Board of Directors and the Board of Commissioners also play a role in managing, reviewing, and assessing the effectiveness of the risk management process.

The Bank risk management, among others, refers to the Regulation of the Financial Services Authority (OJK) No 18/POJK.03/2016 and the OJK Circular Letter No 34/SEOJK.03/2016 on the Implementation of Risk Management for Commercial Banks and considers the recommendations of the Basel Committee on Banking Supervision.

Pursuant to the above regulations, the Bank has implemented a Risk Management policy that ensures that inherent risks in its business activities can be identified, measured, managed and reported. This risk management will give benefits, for instance, enhanced trust of shareholders and the public and a more accurate picture of future performance.

The implementation of risk management is instrumental in reducing potential losses that would otherwise occur. In addition, risk management can improve the performance and competitiveness of the Bank as well as make more efficient decisions.

In relation to the sustainable risk policy, the Bank has identified specific grave sectors. The sectors include agricultural commodities, chemicals, defence, energy, forestry, mining and metals, UNESCO World Heritage Sites, and wetlands designated by the Ramsar Convention or the Convention on Wetlands of International Importance, especially Waterfowl Habitat.

The Bank's sustainable risk management framework has also adopted the Equator Principles of the financial sector. The Equator Principles provide a framework for financial institutions to assess and manage the social and environmental impacts of large projects that have received financial facilities.

The Bank continues to improve its risk management policy implementation consistent with the development of technology, science, or public expectations. Therefore, the Bank consults with stakeholders in policy development and relies on their feedback to identify possible improvements.

Thus, the Bank has used various methods for early detection, including identifying, measuring, monitoring and controlling risks and reporting them consistently. In addition, a broader framework of risk management implementation has been developed through the establishment of a Risk Management Work Unit.

Stakeholder Engagement

The Bank cooperates and interacts with stakeholders through an engagement process, depending on their characteristics and needs, where the interaction is carried out regularly to identify the key issues of each stakeholder and how to give solutions to the issues.

The Bank believes that a mutual-trust relationship with various stakeholders will generate good values in society and, in the long term, can create benefits for the stakeholders. We must acknowledge that the Bank's sustainability depends partly on the Bank's engagement with stakeholders.

Stakeholder	Approach
Customer	<p>Bank customers can give inputs, complaints, or simply requests for information related to the Bank's products and services at any time. In addition, the Bank also collects ever-changing customer expectations in line with the development of social life to meet customer needs and create customer satisfaction. The interaction space between the Bank and customers is carried out through:</p> <ul style="list-style-type: none"> • Branch office • Internet Banking and Mobile Banking • Call Center • Website • Customer Satisfaction Survey • Customer Gathering Events <p>This communication is mainly related to the Bank's efforts to create easier access for customers and more effective and simple communication regarding the security and privacy of customer data.</p>

Stakeholder	Approach
Shareholder	<p>The Bank submits regular reports to shareholders related to financial and operational performance, the implementation of the Bank's strategy, corporate actions and strategies, and the latest corporate updates. These reports are submitted by the Bank 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 as regulated in the applicable laws and regulations, including Law Number 40 of 2007, dated August 16, 2007, concerning Limited Liability Companies.</p>
Regulators and Government	<p>Regulators and the Government are related to the banking industry, especially Bank Indonesia and the Financial Services Authority, in complying with all regulatory provisions. In implementing good corporate governance, the Bank continues to submit periodic reports in accordance with the applicable laws and regulations to the regulator, for instance, the Annual Report and Sustainability Report and compliance reporting.</p> <p>In addition, the Bank also always attends meetings organised by the regulator at certain times, among other purposes, to discuss the Bank's compliance, implementation of prudential principles and implementation of good corporate governance.</p> <p>The Bank communicates with the regulator in an effective and efficient manner by, e.g. actively consulting both in socialisation organised by the regulator and in discussions initiated by the Bank.</p>
Community	<p>Approaches to the community, among others, are made in the form of information disclosure. The public can interact with the Bank on matters relating to the principle of transparency.</p> <p>In addition, the Bank also maintains direct relationships with the community through, e.g. corporate social responsibility and financial literacy programmes. These activities are consistently carried out every year, in line with the Bank's commitment to fulfilling the mandate of laws and regulations and the Bank's concern for the community.</p>
Supplier	<p>Mutually benefitting relationships between the Bank and suppliers as Bank partners are facilitated by developing fair and transparent cooperation in the supply of goods and services.</p>
Employee	<p>The Bank's relationship with employees is facilitated, among other media, through dialogue between management and labour unions. Meanwhile, matters related to employees' welfare, rights and obligations are addressed through other means of communication or regular meetings, e.g. training, socialisation, HR info via email, employee gatherings and management-employees meetings/ townhall, and email.</p>

Challenges Faced

The Bank realises that the implementation of sustainable finance in the banking industry still faces many challenges. Nevertheless, the Bank is now one of the banking institutions involved in the Indonesian Sustainable Finance Initiative (IKBI). The Bank believes that the IKBI platform can take advantage of private finance to reduce risks related to environmental, social and governance issues. The next step is how we can collectively support the world to shift to a low-carbon economy.

The financial sector also needs to be equipped and convinced with strong scientific-based materials so it is ready to take all the necessary steps. Therefore, the Bank will contribute to the studies, research, and experts that IKBI will be providing for the banking industry.

At the same time, the active involvement of regulators and the government in financial literacy programmes are also beneficial for the banking industry to face challenges in sustainable finance. The Bank believes that all processes that have been carried out by stakeholders will provide maximum results for a better future.



SUSTAINABLE PERFORMANCE



Building a Sustainable Culture

PT Bank HSBC Indonesia is committed to building a culture of sustainability by, e.g. disseminating the Bank's sustainable performance policies in addition to providing training, seminars, or other activities relevant to the implementation of sustainable finance. For instance, the Bank seeks to develop the knowledge and experience of its employees on sustainable work principles.

In addition, the Bank also runs campaigns that involve employees as volunteers in activities related to climate change to collaborate with other stakeholders.

Through these efforts, the Bank hopes to build a strong sustainable cultural fundamental in supporting partners and customers to respond to the climate change phenomenon, both in terms of risks and opportunities.

For other stakeholders, the Bank has prepared communication channels to discuss various climate change-related. This policy is part of socialisation and engagement to realise shared goals, which are toward a low-carbon world and a better future by protecting the environment and providing benefits for social life.

ECONOMIC PERFORMANCE

Approach

The Bank defines sustainable finance as financial services that integrate environmental, social, and governance (LST) criteria into business or investment decisions. Therefore, sustainable funding includes the financing and investment activities required to support the UN's Sustainable Development Goals (SDGs) and specifically actions to address climate change.

Moreover, the Bank is committed to supporting financing related to other SDGs objectives, including community welfare development that is consistent with the Bank's vision. This effort is a part of the scheme to contribute to sustainable development.

The Bank works closely with business debtors to help them understand and manage their environmental and social impacts. The Bank also has a sustainability risk policy that covers the agricultural, chemical, defence, energy, forestry, mining, and metal commodity sectors, as well as UNESCO World Heritage Sites and Ramsar-designated wetlands. The Bank also applies the Equator Principles when providing project funding.

The Bank ensures that these policies are implemented consistently by training risk managers and relationship managers on sustainable risk policy and their responsibility to provide directives regarding the management of environmental and social risks. These initiatives play a significant role in the process of high-risk business relationships and transaction agreement processes.

The Bank invites debtors to adopt sustainability practices. In the event that a debtor has no intention, or is unable, to comply with the set sustainability standards, the Bank will terminate the business relationship with the debtor.

This commitment is the Bank's approach to realizing the principles of sustainable finance.

General Performance

The performance achievements of PT Bank HSBC Indonesia are a part of the implementation of sustainable practices associated with its business and operational activities. Therefore, the Bank is convinced that the Bank's financial achievements are the reflection of its sustainable practices.

In 2021, the Bank posted total assets of Rp124,462 billion, a 10.53% increase from Rp112,601 billion in 2020. The Bank's assets for the fiscal year were dominated by loans to customers-net, securities for investment purposes, and placements with Bank Indonesia in the amounts of Rp51,328 billion, Rp21,121 billion and Rp19,135 billion respectively.

Meanwhile, the Bank's net profit reached Rp1,473 billion, a 12.44% increase from Rp1,310 billion in 2020. This increase in profit was due to a decrease in the impairment loss of financial assets in line with the improvement in the economic outlook in 2021.

A complete discussion of the Bank's performance during 2021 can be found in this Annual Report on page 60-73.

Economic Value Received and Distributed by the Bank

The development and offering of the Bank's financial service products are not only aimed at earning profit for the Bank. In order to create sustainability, the Bank's goal is also to improve the level of convenience of the community when carrying out their financial activities, as well as promote a positive impact on the stakeholders and shareholders.

Income from the Bank's business activities is equivalent to the economic value acquired by the Bank for its business activities. In line with the objective of financial sustainability, the acquired value is distributed to create sustainable values.

In 2021, economic benefits distributed by the Bank to its employees and for operating expenses reached Rp3,328 billion, a 0.39% decrease from Rp3,341 billion in 2020.

Operational activities include the implementation of sustainable finance programmes, one of which is system development. This initiative creates efficiency in the operational sector, including lower paper and electricity consumption.

Employee development is an integral part of sustainability in the context of welfare improvement. In 2021, the total costs incurred for personnel reached Rp1,674 billion, a 3.24% decrease from Rp1,730 billion in 2020.

Within the compliance framework, it is realised through the payment of income tax and other means. Throughout 2021, the total taxes paid by the Bank to the Government of Indonesia amounted to Rp384 billion, a decrease from Rp464 billion in 2020.

Tax payments are an important part of the implementation of sustainable finance. In addition, the Bank supports Indonesia's economic growth through its development activities.

The following is the economic value received and distributed by the Bank in the last 3 (three) years.

Economic Value Distribution Table

(Rp Billion)

Description	2021	2020	2019
Economic Value Received			
Interest Income	4,772	5,307	6,197
Fees and Commission Income	1,619	1,567	1,952
Trading Income	1,087	1,742	1,340
Other Operating Income	37	13	504
Total economic value received	7,515	8,629	9,993

Description	2021	2020	2019
Economic Value Distributed			
Interest Expenses	1,255	1,433	2,217
Fees and Commission Expenses	354	363	640
Employee Expenses	1,674	1,730	1,949
Other Operating Expenses*	1,654	1,611	1,476
Payments to Government (tax, levies, others)	384	464	729
Total economic value distributed	5,321	5,601	7,011

* Including general and administrative expenses, depreciation expenses of properties and equipment and right-of-use assets, amortisation expenses of intangible assets, and loss arising from assets held for sale.

In terms of banking product performance, in 2021 the Bank posted loan disbursements of Rp54,516 billion, a 6.64% decrease from Rp58,394 billion in 2020. The disbursement of this financing is an important part of the economic benefits distributed by the Bank to external parties to support sustainable finance through economic activities.

Table of Loan Disbursements by Economic Sector

(Rp Billion)

Economic Sector	2021	2020	2019
Manufacturing	22,844	23,417	27,616
Trading, restaurants, and hotels	7,867	9,855	12,796
Business services	6,211	5,828	8,749
Construction	5,752	6,710	7,720
Transportation, warehousing, and communication services	6,841	6,214	4,563
Agriculture, plantations, and facilities	366	637	1,387
Social and community services	784	1,613	129
Electricity, natural gas, and water	2	5	5
Mining	95	55	25
Others	3,754	4,060	4,667
Total	54,516	58,394	67,657

Furthermore, in terms of Third-Party Funds (TFP), the Bank collected customer funds in the amount of Rp85,407 billion in 2021, an increase of 18.36% from Rp72,160 billion in 2020. The TFP collection indicates the Bank's contribution to financial inclusion in Indonesia.

Table of Banking Product Performance

(Rp Billion)

Description	2021	2020	2019
Total Customer Deposits	85,407	72,160	65,469
- Demand Deposits	45,584	35,871	27,964
- Savings Accounts	15,946	15,281	12,399
- Time Deposits	23,877	21,008	25,106
Total Loan disbursements	54,516	58,394	67,657

As reflected by the Bank's net profit, the economic value received by the Bank reached Rp1,473 billion in 2021, a 12.44% increase from Rp1,310 billion in 2020.

This increase in net profit was mainly due to a decrease in the impairment loss of financial assets in line with the improvement in the economic outlook in 2021.

Table of Economic Value Received by the Bank

(Rp Billion)

Description	2021	2020	2019
Interest Income – net	3,517	3,874	3,980
Profit before Tax	1,857	1,774	3,040
Net profit for the year	1,437	1,310	2,311

ENVIRONMENTAL PERFORMANCE



Although its business operations are not directly related to environmental issues, the Bank remains unwaveringly committed to supporting the global transition toward a low-carbon world and environmental preservation in general. The Bank also attaches the principle of sustainability to the products and services it provides.

The implementation of the sustainability principle is realised, among other ways, in the process of providing loans, banking transactions, consulting services, and investments. In addition, the Bank applies strict risk

management to climate change conditions. Industrial areas that are part of the application of these principles include the energy, palm oil and forestry sectors.

In operational activities, the Bank applies the principles of sustainability and encourages its customers and supply chain to jointly support the reduction of negative impacts on the environment. In addition, the Bank continues to actively participate in sustainable environmental conservation programmes.

Realisation of Activities in the Environmental Sector

Programme	Activities	Programme Achievement	Budget Allocation (Rp)
Natural Climate Solution Model for Mangroves in Indonesia	The project aims to develop, promote, and implement Natural Climate Solutions through mangrove protection and restoration to mitigate GHG emissions, improve coastal resilience, and community's livelihood that depends on the ecosystem.	The activity will begin with a workshop for stakeholders in Bengkalis Regency, Riau Province, in order to create a collaborative action that is supported by good planning and coordination to accelerate the recovery of the mangrove ecosystem in this area.	2,692,707,572

Environmental Conservation

The Bank has realised several programmes in environmental conservation. Among these programmes, the Bank has launched HBID Green Actions as part of the HSBC group mission for Net-Zero emissions. The campaign supports the carbon emission reduction mission and includes several sustainability projects and rejuvenation actions such as an interactive webinar series, solar panels, and an employee household recycling programme.

Eco-Friendly Material

The use of environmentally friendly materials has become an essential part of the Bank's operations. This commitment has long been realised and has continued in 2021. Among the environmentally friendly materials used are paper products licensed by the Forest Stewardship Council (FSC), namely paper produced from wood from forests that are managed according to local

and international standards or from used and recycled papers. The Bank has also provided special trash bins so employees can sort out the types of cans, paper, and plastic waste.

Energy Efficiency

The Bank continues to strive to reduce the carbon footprint of its operations. In 2021, the total reduction in carbon footprint reached 2.7 tons. The Bank also reduced electricity consumption by 3.1 Mega Watt-hour (MWh). The impact of COVID-19 partially contributed to the reduction.

Energy efficiency is also pursued through the use of eco-friendly lighting equipment. The Bank continues to use energy-friendly lights such as LEDs and light sensors that can reduce electricity consumption at the head office and branches.

The Bank's paper consumption continues to decrease. The Future of Work – Hybrid model has helped reduce the amount of paper consumption by 14%, or 54 tons of paper. The Bank has also reduced travel activities, especially related to COVID-19.

Efficiency in Energy and Paper Consumption

Indicator		2021	2020	Changes (%)	Conformity with SDGs
The Carbon Footprint	Tonnes	5,140	7,885	35%	Goal 7: Affordable and Clean Energy Goal 12: Sustainable Cities and Communities
Electricity Consumption	MWh	6,517	9,651	32%	
Paper Consumption	Tonnes	323	377	14%	
Waste	Tonnes	17	37	54%	
Recycling	%	47,6	56,4	8.8%	Goal 6: Clean Water and Sanitation
Water	m ³	32,517	62,079	48%	
Travel	km	1,285,659	2,729,747	53%	Goal 13: Climate Action

Environmental Complaints

The Bank has provided various channels for receiving complaints, i.e. Contact Centres, Branch Offices, HSBC Internet Banking, Online and Social Media. Every complaint received, including those related to the environment, will be followed up in accordance with regulations.

Until the end of 2021, the Bank received no complaints related to environmental issues.

SOCIAL PERFORMANCE

Bank Commitment

The Bank is committed to providing products and services impartially to all customers. This internal policy is pursuant to Financial Services Authority (OJK) Regulation No 1/POJK.07/2013 regarding Customer Protection, and OJK Circular Letter No 12/SEOJK.07/2014 regarding Information Disclosure in terms of Marketing of Financial Services Products and/or Services.

The regulation also underlines that the Bank should deliver fair results to customers. Accordingly, information related to products and services has been disclosed transparently.

To realise this commitment, the Bank, which operates globally as part of HSBC Group, has adopted a behavioural framework to ensure that every one of its employees treats customers equally and applies transparency in operational activities.

5 Pillars of Bank Performance



A. EMPLOYMENT ASPECT

Equality in the Work Environment

Employees are an important factor that helps bring to life the Bank's vision and mission and achieve its predetermined business targets. The Management always encourages employees to express their aspirations openly regarding policies, working conditions, and come up with new ideas.

The Bank makes these efforts in order to create a culture within the Bank that supports and promotes proper behaviour: where employees feel empowered to voice their opinions and concerns.

The Bank continues to invest in human resource capabilities, in line with the growth in the Indonesian banking industry. The only way to achieve this is by having the Human Resources Department (HR) carry out activities in support of the Bank's growth, adapting and aligning with market changes, particularly in the banking industry, providing an exceptional experience

for employees, and making continuous improvement of HR policies, governance and risk management related to human resources.

Diversity, including related to gender, will support the creation of a conducive environment for employee career development. That is how the Bank can provide full service to customers and stakeholders.

In terms of gender, the composition of human resources in 2021 did not experience much change compared to 2020. The composition of female employees compared to male employees was 55.64% to 44.36%. This proves that the Bank provides an excellent opportunity for female employees to have a career at the Bank.

In addition, the Bank also continuously promotes and strengthens gender equality through "Female Talent Development" and its succession management. As of December 31, 2021, 55% of the Bank's female employees assumed senior management positions.

Employee Statistics by Gender

Gender	2021	2020	2019
Male	1,399	1,536	1,706
Female	1,755	1,883	2,091

Employee Welfare Level

The remuneration system designed by the Bank aims to attract and motivate the best employees to develop, without prejudice gender, ethnicity, age, physical condition or other factors that are not related to performance or experience. The Bank also provides other allowances attached to remuneration in accordance with regulatory provisions.

In determining remuneration, the Bank weigh the applicable regional minimum wage standards. Every employee of the Bank makes income above the minimum wage in accordance with the provisions of the government. In addition, to support welfare, the Bank also provides health and other facilities to employees.

The Bank makes regular evaluations, especially in order to fulfil the principle of equality in remuneration.

Ratio of Highest to Lowest Salaries

	2021	2020	2019
Ratio of Highest to Lowest Salaries	121 : 1	123 : 1	142 : 1

Decent and Safe Work Environment

The Bank always strives to create a work environment that allows all employees to develop their potential. Therefore, the Bank always keeps a balance between personal life and life at work.

This commitment is realised, among other methods, through the policy of implementing long-term leave, such as sabbatical leave. This policy will provide comfort for employees and, thus, potentially increase productivity and loyalty in a comfortable work environment.

In order to create comfort, the Bank offers an entirely open space work environment, including a collaboration room to accommodate teamwork and employee involvement, as well as information technology support to create work effectiveness.

A more detailed discussion of human resources is available on pages 74-83 of this Annual Report.

Employee Turnover Rate

Description	2021	2020	2019
Turnover	20.8%	18.4%	30.0%
Excluding Direct Contact	14.6%	12.5%	20.3%

Competency Training and Development

The Bank regularly and continuously develops training and development programmes to improve employee competence, both internally and externally. To support the Bank's business strategy, in general, training and development programmes cover the areas of hard skills or technical competencies, soft skills competencies, leadership education, and in-house training for certain training areas. These programmes are grouped into:

- Business or specific roles related to technical/functional competencies: Learning and development programmes on specific competencies the employees may need to carry out their duties efficiently and effectively.
- Leadership competencies: Learning and development programmes on leadership and managerial topics, for employees who are assigned structural/leader roles.
- Regulatory compliance competence: Learning and development programmes on risk management, wealth management, capital market, insurance, treasury and compliance certification depending on employee roles.
- General competencies: Learning and development programmes on general competencies that reflect the values and attitudes that all employees must have. The programmes include training in values and culture.

During the Covid-19 pandemic and ensuring employee safety, the Bank did not run or delay some training programmes in 2021. The Bank optimised the training and development programmes through e-learning or virtual learning. To improve employee competence, in 2021, the Bank ran development programmes with a total of 55,297 training items.

Realisation of Training in 2021

Year	Total Employees	Total Training Hours	Training Hours per Employee	Total Training Items	Total Trained Staff
2021	3,348	60,412	18.04	55,297	4,034
2020	3,773	59,705	17.34	60,789	3,773
2019	3,977	98,403	24.74	69,177	4,811

Details of Number of Training items by Type of Training

Training Type	Total Items
INTERNAL TRAINING:	
Assessment	7,558
Elearning	39,534
Classroom	-
Virtual Classroom	4,068
EXTERNAL TRAINING:	
Assessment	4
Elearning	20
Virtual Classroom	4,113
Total Training Items	55,297

Global Mandatory Training 2021

Global Mandatory Training (GMT) helps employees understand the global principles that underlie who and how the Bank operates. In particular, GMT looks at the main risks faced by the Bank and how to manage them effectively so that the Bank can provide the right results for customers and stakeholders.

GMT 2021 Calendar Overview

Trimester 1/2021 April-June	Trimester 2/2021 August-October	Trimester 3/2021 November – December
HSBC and Me	Fighting Financial Crime	Living Our Values
<ul style="list-style-type: none"> Managing Risk at HSBC Sustainability Health, Safety and Well-being Data Privacy Cyber Security 	Anti Money Laundering, Tax, Sanctions, Fraud and Anti-Bribery & Corruption	<ul style="list-style-type: none"> Values & Conduct Workplace Harassment
Assigned: 13 May 2021 Complete: 12 July 2021	Assign: 6 September 2021 Complete: 5 November 2021	Assign: 1 December 2021 Complete: 28 January 2022

Financial Crime for High Risk Role Training Programme 2021

This programme is a series of modules designed to meet the learning requirements of employees in high-risk roles or those that involve activities with greater exposure to the risks of money laundering, sanctions and bribery, and corruption. To that end, employees who assume high-risk roles must develop and demonstrate enhanced abilities to identify, assess, manage and report financial crimes.

Financial Crime related training programmes for high-risk roles held are:

- **AML and Sanctions (AMLS) for High Risk Roles**

This training is mandatory for all high-risk roles within the Bank. This is a different type of training from the Global Mandatory Training (GMT), which all employees must take. Such learning will help employees effectively manage financial crime risks and provide the confidence and skills needed to identify and manage risks effectively in their roles.

Both permanent and contract employees must complete post-course learning and assessment. E-Learning and post-course assessments are mandatory, and employees have 90 days to complete assigned modules. In 2021, the AML and Sanctions training programme for high-risk roles consisted of 12 curricula assigned to 1,667 employees from each business function. A total of 98.38% have completed the training, and the rest will be completed by 2022.

- **Anti-Bribery & Corruption (AB&C) for High Risk Roles**

This training programme consists of 2 (two) curricula provided to 171 employees from each business and function. All employees have completed the predetermined curriculum.

B. SOCIAL ASPECT

In carrying out its activities, the Bank also balances activities that support the community, both through ongoing and immediate programmes.

The programme aims to provide the public with knowledge and education in business and finance in accordance with OJK directives in the Blueprint for the National Strategy for Finance & Financial Literacy. The targeted stakeholders are colleges, faculty members, teachers, students, communities, and the general public.

In line with this policy, in 2021, the Bank has implemented social and environmental responsibility activities in the community sector. These programmes are in line with the Sustainable Development Goals (SDGs).

The Bank is committed to supporting the community within the Bank's operational environment in particular, as well as society in general. Among its manifestations is contributing to charities and non-profit organisations that run community projects across the country.

In addition, most of the Bank's funding is used for programmes aligned with the theme and corporate social responsibility (CSR) activities to support responsible business. Furthermore, the Bank is committed to providing financial assistance and other assistance in response to unforeseen challenges, such as natural disasters and humanitarian crises.

In line with the mandate in the provisions of the Company's Articles of Association, the purpose and objective of establishing the Bank are to conduct business in the banking sector in accordance with regulatory provisions. Until the 2020 financial year, the Bank's business activities were to collect funds from the public; distribute credit; issue debt securities; buy, sell, or pledge at their own risk or for the benefit of and at the request of its customers; transfer money both for the Bank's benefits and the interests of customers.

Thus, the Bank's business activities positively impact the region, both at the regional and national levels. At least, it can be seen from an economic and social perspective.

Financial Crimes Training Programme for High-Risk Roles 2021
(Rp Million)

Description	2021	2020	2019
Realisation	21,958	25,568	16,334

The following are programmes that were implemented in 2021:

Education

The financial literacy and business education programmes carried out by the Bank are in line with the direction of the OJK regarding the Blueprint of the Indonesian National Strategy for Financial Literacy. This programme aims to increase public understanding of financial products and services. Here, students are introduced to the business world through the HSBC Business Case Competition, which aims to enhance students' analytical capacity and sharpen their business intuition.

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

For employability skills, the Bank introduced the concept of Core Skills, also known as 21st Century Skills, which aims to assist students in dealing with challenges and changes in work.

No.	Programmes	Activities	Programme Achievement	Budget Allocation (Rp)	Conformity with the Sustainable Development Goals (SDGs)
1	HSBC Business Case Competition	<p>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 in teams that consist of four people in business strategy and presentation. The winning team from Indonesia will get to participate in regional competition in Hong Kong.</p> <p>The aim of this competition is to explore innovation and analytical skills from university students, obtain presentation from the real business world, and expand professionalism and social network as well as building their own portfolio.</p>	A series of educational activities has been carried out in four different cities in Indonesia: Jakarta, Bandung, Yogyakarta and Surabaya and involved more than 500 university students and 15 universities.	525,695,500	<p>Goal 7: Affordable and Clean Energy</p> <p>Goal 12: Sustainable Cities and Communities</p>
2	HSBC Edu Center	The programme is a series of experiential online learning, aims to prepare future skills for undergraduate students when job markets tend to shift toward remote working systems due to the COVID-19 pandemic	A series of educational activities such as guest lectures, workshops, and certification has been carried out in three different cities in Indonesia: Medan, Tegal, and Denpasar involved more than 600 university students and 5 universities.	2,569,600,000	Goal 6: Clean Water and Sanitation
3	Rumah Belajar Batik Tasikmalaya	Rumah Belajar Batik Tasikmalaya is a batik vocational training center that targets to empower young individuals from marginalised community. Established with the spirit of preserving the heritage and improving welfare, and will be tailored to create batikpreneurs and job within the industry. The programme will collaborate with local SME communities by providing access to financial literacy modules through interactive and engaging online trainings	Series of activities as part of the programme namely online financial literacy training, batik vocational training, business mentoring and business award. Online financial literacy training has been started in the last quarter of this year and joined by around 900 participants	2,211,372,800	Goal 13: Climate Action

Second Wave Covid 19 Emergency Response and Recovery Programme

In 2021, the Bank ran its second wave of the COVID-19 emergency response and disaster recovery programme as a form of concern for vulnerable communities, with a laid focus on providing health equipment, access to basic needs, and economic resilience in various regions in Indonesia.

No.	Programme	Activities	Programme Achievement	Budget Allocation (Rp)
1	Bersama Hadapi COVID-19 – Bantuan Oksigen	An emergency programme to assist in supplying oxygen tanks and tubes for the vulnerable communities in Jabodetabek, Bandung, Cimahi and its surroundings.	This activity provide oxygen tanks and tube for 2,300 people in Jabodetabek, Bandung, Cimahi and its surroundings	2,057,840,001
2	Livelihood Support MPCA for Community in Jakarta	Immediate medical relief aid of multipurpose cash assistance for vulnerable communities affected by COVID-19 second wave.	This donation support 600 household in Jakarta.	1,000,000,000

Social Welfare and Society

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

In 2021, during Ramadan, the Bank conducted programme to share with underprivileged families affected by natural disasters.

No.	Programme	Activities	Programme Achievement	Budget Allocation (Rp)
1	Bahagia Bersama Ramadan	Assistance for underprivileged families and children affected by a number of natural disasters in Indonesia.	This activity was conducted in Aceh, Meulaboh, Medan, Jakarta, Bandung, Semarang, Bali and Flores that reached around 1.500 children and youth.	500,000,000

Plans, Focus and Programmes in 2022

The Bank in 2022 reaffirmed its commitment to the implementation of sustainability programmes in Indonesia. The implementation of the sustainability strategy is expected to encourage sustainable economic growth. Among the priorities for implementing sustainability programmes in 2022 are:

- To provide skills training for young people so that they can compete successfully in the global economy.
 - Financial literacy: Educate young people about the business world and the ability to manage money.
 - Employability: Helping future generations to develop skills and abilities to compete successfully in the global economy.
- To support new business development and sustainable international growth.
 - Entrepreneurship: Supporting young entrepreneurs through training and financial support.
 - Sustainable supply chain: Helping customers to realise international trade and business activities and improve the quality of their supply chains.
- To support the business transition to a low carbon economy.
 - Sustainable finance: Invest in sustainable economic growth and help clients manage transition risks.
 - HSBC carbon footprint: Reduce HSBC's direct impact on the environment.

These priorities will be supported by various commercial activities, partnerships, community investment, and employee engagement. The Bank hopes that these priorities will position the Bank as a leading institution that runs and promotes sustainable business.

Community Complaint Mechanism

The Bank has standard operating procedures for handling complaints to ensure prompt, efficient, accurate, and courteous customer service. The handling of these complaints must also protect the Bank from potential losses that may arise from customer complaints through careful, cohesive and effective handling management.

The Bank has provided various channels for receiving complaints through Contact Centres, Branch Offices, HSBC Internet Banking, Online, and Social Media. Every complaint received will be followed up in accordance with regulations.

Detailed information can be referred to the website with the following link: <http://www.hsbc.co.id/1/2/id/contact-kami>.

Number of Complaints

All public complaints are handled by each unit in the Bank. A more detailed report related to public complaints and follow-up is available in the "Corporate Governance" section on page 186-187.

PRODUCT DEVELOPMENT



The Bank places customers as very important and strategic stakeholders in order for it to bring to life the principles of sustainable finance. That strategic vision is behind why the Bank has been consistent in offering the best products and services for customers to create mutually benefitting relationships while supporting sustainable development.

The Bank also strives to always consider the benefits of the products it releases to the market, both economic benefits in a narrow sense, or providing benefits to customers, and benefits in a broader sense, which is to benefit the country. Considered one of the benefits is the sustainable aspect, in accordance with the sustainable development goals that have become the commitment of the world community to create a better future for the world.

The Bank has been involved in numerous activities in the field of financial services related to support for sustainable development. The following are products and service achievements in 2021 that are relevant to the principle of sustainability:

Green Sukuk and Government Green Bonds

HSBC supports the Indonesian government by developing its inaugural green framework in 2017. Every year, the government uses this framework to issue conventional and environmentally sound sharia bonds (Green Bonds and Sukuk).

In 2021, HSBC became a Joint Bookrunner and Joint Green Structuring Advisor for the issuance of the US\$3 billion Green Sukuk by the Government of the Republic of Indonesia with a term of 30 years which is part of a 3 (three) tranches. This securities is the Green Sukuk with the longest term issued globally. The funds will be used to support environmentally friendly projects that qualify under the government's Green Sukuk framework. These include renewable energy, energy efficiency, sustainable transportation and other environmental projects, including water and sanitation.

To date, the government has accumulated around US\$3.5 billion through 4 (four) global green sukuk issued under the Green Bond and Green Sukuk Framework. In addition, it has issued retail green sukuk to raise capital in the domestic market from retail investors.

HSBC was also mandated as Joint Bookrunner, Joint Lead Manager and advisor to the Indonesian government to set the Sustainable Development Goals (SDGs) and the issuance of the government's first 40-year bond under the recently issued Government Securities Framework for the SDGs. These developments reflect Indonesia's journey toward sustainable development in the country.

Government Retail Bonds

Since 2019, the Bank has become one of the distribution partners of electronic sales of Government Securities (e-SBN) to market various retail bond series issued by the Ministry of Finance to fund government programmes or sustainable projects. This has a positive impact on sustainability, including helping finance the State Budget (APBN), providing access to bonds to the public and increasing the number of domestic investors.

Sustainable Loans

The Bank already has various types of loans that are in line with sustainable aspects:

- Green Loan

Since 2020, the Bank has run the Green Loan programme as a commitment towards implementing sustainable finance. The products and processes have the same process as what has been applied so far, but with an additional check for "green" or environmental commitments to potential customers.

The application of environmental principles is part of the Bank's efforts to ensure that loans disbursed have a positive impact on the environment. Especially, with regard to reducing greenhouse gas emissions, including CO₂.

- **Green Trade Loan**

Green Trade Loan (GTL) is a trade product financing facility (funded trade products) such as trade loan and receivables financing, which is provided exclusively for environmentally friendly trade activities. One example of these activities is the purchase of supply or trading needs, which can be proven by a trade transaction document that complies with the Green Loan Principles (GLP).

GTL focuses on the fund used by the customers. The Bank will assess the customer's business activities and control the use of sustainable loans and instruments available to customers through the GLP industry standard.

- **Sustainable Trade Instruments**

Sustainable Trade Instruments (STI), like GTL, are trade finance facilities for unfunded trade products such as guarantees, letters of credit, or standby letters of credit issued under sustainable trade facilities provided exclusively for sustainable environmental and/or social economic activities (for instance, supply, production of sustainable goods/services, or to support sustainability projects) that comply with the HSBC Sustainable Trade Instrument Principles (STIP).

When industry standard is still not available, HSBC STIP has been developed as a standard and disclosure requirement for sustainability purposes. Customers are required to disclose that the underlying economic activities provide environmental and/or social benefits or have sustainability objectives are in line with the Sustainable Development Goals (SDGs).

- **Sustainable Supply Chain Finance (Sustainable SCF)**

SCF is a supply chain financing product to support customers in creating a sustainable supply chain by providing incentives in the form of discounted interest rates to suppliers who meet environmental, social and governance (ESG) targets.

- **Sustainability Linked Lending (SLL)**

In 2021, the Bank launched Sustainability Linked Loan (SLL), which aims to facilitate and support environmentally and socially sustainable economic activities and growth. The Bank links the customer's cost of capital with ESG principles or sustainability indicators (metrics).

SLL is assessed based on the more flexible Sustainability Linked Loan Principles (SLLP). The use of funds (Use of Proceeds/UOP) is sufficient to serve general corporate purposes or invest in green projects.

The SLLP defines sustainability performance targets (SPT), including "key performance indicators, external ratings and/or equivalent measures, which measure improvements in customer's sustainability profile". A key feature of SLL is that borrowing costs are linked to customer performance against pre-determined sustainability criteria, including environmental, social, and governance (LST).

- **Social Loans**

Social loans are loans whose characteristics align with the 4 (four) pillars of the Social Loans Principle, namely that the funds are used for eligible social projects.

In 2021, HSBC gathered up a group of international banks, export credit institutions and multilateral development banks as financing anchors for Indonesia's first national telecommunications satellite project, SATRIA, a government-business partnership (Private Project Partnership/PPP). The project aims to provide fast internet access in underdeveloped and outermost regions of Indonesia to increase connectivity to public service points in a cost-effective manner. Financing This project will support the Indonesian government's goals of providing connectivity to more than 149,000 public service points in Indonesia, strengthening digital connectivity across more than 17,000 Indonesian islands, and obtaining certified status as a social loan by Sustainalytics.

Positive Impact of HSBC Premier Next Gen

The Bank introduced a service called HSBC Premier NextGen. This product is a service granted to the children of HSBC Premier customers aged 18 to 28 years. Through this product, the children of HSBC Premier customers are entitled to special services enjoyed by their parents, both in Indonesia and overseas.

The positive impact of this product is that it provides easy access to banking for Indonesians who are studying overseas, given that there are so many of them. International capabilities, which are one of HSBC Premier's pillars of excellence, enable HSBC Premier NextGen customers to get 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 (seven) bank savings accounts in one card.

They can also enjoy the facility of free foreign currency withdrawal fees at 6,500 HSBC ATMs worldwide without currency conversion to rupiah. Another privilege that HSBC Premier NextGen customers is a free real-time transfer of up to US\$100,000 per day to more than 30 countries in the world. The Bank also provides Emergency Cash facilities of up to US\$10,000 every 48 hours for customers whose belongings are lost or stolen overseas.

This product is the Bank's commitment to supporting the convenience of Indonesian students overseas. The students will later become an important part of sustainable development for Indonesia.

Product Recalled

In the 2021 financial year, the Bank did not recall any of its financial products from the market. Nevertheless, the Bank continues to make its due evaluation by considering risk management and compliance with all existing regulations. Therefore, not only do the products issued by the Bank provide a sense of security for customers, but they also are profitable.

Therefore, the Bank cannot give information related to the number of products recalled, nor can it give information about the reasons for the recall.

Customer Satisfaction Survey

The Bank always evaluates customer satisfaction that will allow it to provide the best products and services. These efforts are made through surveys to find out whether the services the Bank has been offering to the customers have met their expectations and evaluate the quality of customer services for the Bank to make continuous improvements.

Until 2019, the survey was conducted by contacting respondents via telephone. Respondents were randomly selected from the Bank's customer database who had just visited a branch office, contacted the Call Center service, or had a Personal RM. Respondents were asked to give a scale of 0-10 on their level of satisfaction with branch office services, Call Centers or Personal RM.

Since 2020, the customer survey method has changed from a customer satisfaction level survey to a survey to see how likely a customer would recommend HSBC to others. The survey used the Net Promoter Score (NPS) method.

Through the survey, customers are asked a question, on a scale of 0-10: how likely are they to recommend HSBC to their families and friends based on their recent interactions with HSBC channels.

Customers who gave a score of 0-6 are categorised as detractors, customers who gave a score of 7-8 are categorised as passive, and customers who give a score of 9-10 are categorised as promoters. The NPS score is obtained from the percentage of promoters minus the percentage of detractors, so the scale is from -100 (if all respondents are detractors) to +100 (if all respondents are promoters).

The following are the results of the survey on the average level of customer satisfaction in the last 3 (three) years:

Channel	Customer Recommendation Level (scale -100 to +100)		Average level of customer satisfaction (scale 0-10)
	2021	2020	2019
Branch office	+44.1	+ 38.9	9.0
Call Center	+17.9	+ 12.9	8.7
Premier RM	+32.8	+ 25.7	8.2
RBB RM*	+44.6	+ 35.5	-
Internet Banking	+11.2	+ 12.2	+ 6.4**

* RBB RM channel was just recently included in 2020 as one of the surveyed channels.

** The survey for internet banking user customers only started in 2019 and has already started using the Net Promoter Score (NPS) method. However, the NPS survey in 2019 for internet banking channels was not conducted in June-September 2019 due to vendor changes.

WRITTEN VERIFICATION

Until 2021, the Bank had not made any written verification from an independent party related to the implementation of sustainable finance. Therefore, this information is not available.

FEEDBACK SHEET

PT Bank HSBC Indonesia Sustainable Financial Report gives an overview of performance throughout the 2021 financial year. We welcome your input, criticism and suggestions for future performance. Please send this feedback sheet via email or facsimile or post.

Respondent Profile

Name (if don't mind) :
Institution/Company :
Email :
Phone/Mobile Phone :

Stakeholder Group

- A. Shareholders and/or Investors
- B. Customer
- C. Trade Union
- D. Media
- E. Supplier
- F. Business Organisation
- G. Community Organisation
- H. Government/Regulators (OJK/BI)

Choose the following answer that best fits:

No.	Question	Answer
1	This report is easy to understand	Yes/No
2	This report is useful for you	Yes/No
3	This report portrays the performance of Sustainable Financial Report	Yes/No

Please rate the most important aspect in your opinion for the sustainability of PT Bank HSBC Indonesia with a score of 1-5, where 5 being the most important.

No.	Question	Answer
1	Economic Performance	1 - 2 - 3 - 4 - 5
2	Bank Business Performance	1 - 2 - 3 - 4 - 5
3	Employment	1 - 2 - 3 - 4 - 5
4	Product	1 - 2 - 3 - 4 - 5
5	Training and Education	1 - 2 - 3 - 4 - 5
6	Local Community	1 - 2 - 3 - 4 - 5
7	Customers	1 - 2 - 3 - 4 - 5
8	Anti-Corruption	1 - 2 - 3 - 4 - 5
9	Energy	1 - 2 - 3 - 4 - 5

If you think there are other aspects, please state:

Thank you for your participation
Please send it to the address below:
PT Bank HSBC Indonesia
World Trade Center 1
Jl. General Sudirman Kav. 29-31
Jakarta 12920 Indonesia



FINANCIAL STATEMENTS



**SURAT PERNYATAAN DIREKSI
TENTANG
TANGGUNG JAWAB ATAS LAPORAN KEUANGAN 31 DESEMBER 2021
DAN TAHUN YANG BERAKHIR 31 DESEMBER 2021
PT BANK HSBC INDONESIA
DIRECTORS' STATEMENT LETTER
REGARDING
THE RESPONSIBILITY ON THE FINANCIAL STATEMENTS 31 DECEMBER 2021
AND FOR THE YEAR ENDED 31 DECEMBER 2021
PT BANK HSBC INDONESIA**

Kami yang bertandatangan di bawah ini/ *We, the undersigned:*

- | | |
|------------------------------|---|
| 1. Nama/Name | : François-Pascal Marie Jacques du Mesnil de Maricourt |
| Alamat kantor/Office address | : Gedung World Trade Center 1 Lt. 3 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 1 Lt. 3 Jl. Jend. Sudirman
Kav. 29-31, Jakarta 12920 |
| Nomor Telepon/Phone Number | : (021) 25545800 |
| Jabatan/Position | : Direktur/Director |

menyatakan bahwa:

declare that:

- | | |
|--|---|
| 1. Kami bertanggung jawab atas penyusunan dan penyajian laporan keuangan PT Bank HSBC Indonesia ("Bank"); | 1. <i>We are responsible for the preparation and presentation of the financial statements of PT Bank HSBC Indonesia (the "Bank");</i> |
| 2. Laporan keuangan Bank telah disusun dan disajikan sesuai dengan Standar Akuntansi Keuangan di Indonesia; | 2. <i>The Bank's financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards;</i> |
| 3. a. Semua informasi dalam laporan keuangan Bank telah dimuat secara lengkap dan benar; | 3. a. <i>All information contained in the Bank's financial statements have been disclosed in a complete and truthful manner;</i> |
| b. Laporan keuangan Bank tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material; | b. <i>The Bank's financial statements do not contain misleading material information or facts, and do not omit material information or facts;</i> |
| 4. Kami bertanggung jawab atas sistem pengendalian intern Bank. | 4. <i>We are responsible for the Bank's internal control system.</i> |

Demikian pernyataan ini dibuat dengan *This statement has been made truthfully.*
sebenarnya.

Jakarta, 14 Maret/March 2022

Atas nama dan mewakili Direksi/ *For and on behalf of Board of Directors*


**François-Pascal Marie
Jacques du Mesnil de Maricourt**
Direktur/
Director




Dio Alexander Samsoeri
Direktur/
Director

PT Bank HSBC Indonesia

Kantor Pusat – World Trade Centre 1, Lantai 3, 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)

PUBLIC



**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 2021, 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 2021, 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



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 kewajiban 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 2021, 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 2021, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

JAKARTA,
14 Maret/March 2022

Lucy Luciana Suhenda, S.E., Ak., CPA
Izin Akuntan Publik/License of Public Accountant No. AP.0229

PT BANK HSBC INDONESIA

**LAPORAN POSISI KEUANGAN
31 DESEMBER 2021**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021**

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	31 Desember/ December 2021	31 Desember/ December 2020^{*)}	
ASET				ASSETS
Kas	6,29	429.856	627.207	Cash
Giro pada Bank Indonesia	7,29	8.417.779	4.252.139	Demand deposits with Bank Indonesia
Giro pada bank-bank lain - setelah dikurangi penyisihan kerugian penurunan nilai sebesar Rp 553 pada 31 Desember 2021 dan Rp 107 pada 31 Desember 2020.	8,29,38	3.363.439	3.740.633	Demand deposits with other banks - net of allowance for impairment losses of Rp 553 on 31 December 2021 and Rp 107 on 31 December 2020.
Penempatan pada Bank Indonesia	9,29	19.134.840	1.152.313	Placements with Bank Indonesia
Penempatan pada bank-bank lain- setelah dikurangi penyisihan kerugian penurunan nilai sebesar Rp 29 pada 31 Desember 2021 dan Rp 375 pada 31 Desember 2020.	10,29,38	257.350	10.653.939	Placements with other banks- net of allowance for impairment losses of Rp 29 on 31 December 2021 and Rp 375 on 31 December 2020.
Efek-efek untuk tujuan investasi	5,11,29	21.120.592	17.860.822	Investment securities
Aset keuangan dalam kelompok diperdagangkan	5,12,29	2.703.991	1.217.717	Financial assets held for trading
Tagihan derivatif	5,13,29,38	202.641	671.498	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	14,29	10.060.292	9.292.848	Securities purchased with agreement to resell
Wesel ekspor- setelah dikurangi penyisihan kerugian penurunan nilai sebesar Rp 16.780 pada 31 Desember 2021 dan Rp 6.843 pada 31 Desember 2020	29	1.836.512	921.585	Export bills - net off allowance for impairment losses of Rp 16,780 on 31 December 2021 and Rp 6,843 on 31 December 2020
Tagihan akseptasi- Setelah dikurangi penyisihan kerugian Penurunan nilai sebesar Rp 4.305 Pada 31 Desember 2021 dan Rp 25.398 Pada 31 Desember 2020	15,29	2.597.903	2.021.659	Acceptance receivables - net off allowance for impairment losses of Rp 4,305 on 31 December 2021 and Rp 25,398 on 31 December 2020
Kredit yang diberikan kepada nasabah - setelah dikurangi penyisihan kerugian penurunan nilai sebesar Rp 3.187.683 pada 31 Desember 2021, Rp 3.059.585 pada 31 Desember 2020	16,20,29,38	51.328.140	55.334.586	Loans to customers – net of allowance for impairment losses of Rp 3,187,683 on 31 December 2021, Rp 3,059,585 on 31 December 2020
Pajak dibayar dimuka	36a,42	850.253	1.005.429	Prepaid tax
Aset lain-lain	17,29,38,42	1.067.734	2.603.698	Other assets
Aset tetap - setelah dikurangi akumulasi penyusutan sebesar Rp 1.415.068 pada 31 Desember 2021, Rp 1.227.781 pada 31 Desember 2020	18,42	833.454	890.029	Properties and equipments - net of accumulated depreciation of Rp 1,415,068 on 31 December 2021, Rp 1,227,781 on 31 December 2020
Aset takberwujud - setelah dikurangi akumulasi amortisasi sebesar Rp 271.166 pada 31 Desember 2021, Rp 243.026 pada 31 Desember 2020	19	44.221	89.121	Intangible assets - net of accumulated amortisation of Rp 271,166 on 31 December 2021, Rp 243,026 on 31 December 2020
Aset pajak tangguhan	36g	212.799	265.832	Deferred tax assets
JUMLAH ASET		124.461.796	112.601.055	TOTAL ASSETS

*) Lihat catatan 42 untuk reklasifikasi

Please refer to note 42 for reclassification *)

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 2021**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021**

(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Catatan/ Notes</u>	<u>31 Desember/ December 2021</u>	<u>31 Desember/ December 2020</u>	
LIABILITAS DAN EKUITAS				LIABILITIES AND EQUITY
LIABILITAS				LIABILITIES
Simpanan dari nasabah	20,29,38	85.406.778	72.159.831	<i>Deposits from customers</i>
Simpanan dari bank-bank lain	21,29,38	5.940.073	4.491.715	<i>Deposits from other banks</i>
Liabilitas derivatif	13,29,38	188.060	659.526	<i>Derivative payables</i>
Utang akseptasi	15,29,38	2.602.208	2.047.057	<i>Acceptance payables</i>
Utang pajak penghasilan	36b	19.189	181.688	<i>Income tax payable</i>
Beban akrual dan provisi	22,29,38	422.388	413.742	<i>Accruals and provisions</i>
Liabilitas lain-lain	23,29,38	2.014.091	4.278.735	<i>Other liabilities</i>
Pinjaman yang diterima	29,38	6.199.838	7.516.750	<i>Borrowings</i>
Pinjaman subordinasi	29,38	1.068.937	1.053.750	<i>Subordinated debt</i>
Liabilitas imbalan kerja	25	<u>459.563</u>	<u>499.726</u>	<i>Employee benefits obligations</i>
JUMLAH LIABILITAS		<u>104.321.125</u>	<u>93.302.520</u>	TOTAL LIABILITIES
EKUITAS				
EQUITY				
Modal saham - nilai nominal Rp 1.000 (dalam Rupiah penuh) per saham; Modal dasar - 20.000.000.000 saham; Modal ditempatkan dan disetor penuh - 10.586.394.997 saham	1b,26	10.586.395	10.586.395	<i>Share capital - nominal value of Rp 1,000 (in Rupiah full amount) per share; Authorised capital - 20,000,000,000 shares; Issued and fully paid-up capital - 10,586,394,997 shares</i>
Tambahan modal disetor - bersih	27	257.610	257.610	<i>Additional paid-in capital - net</i>
Cadangan program kompensasi berbasis saham	24	15.464	15.602	<i>Share-based payments program reserves</i>
Perubahan nilai wajar bersih - efek-efek untuk tujuan investasi pada nilai wajar melalui penghasilan komprehensif lain - neto	11	368.717	517.678	<i>Net changes in fair value - investment securities at fair value through other comprehensive income - net</i>
Pengukuran kembali atas liabilitas imbalan pasca kerja		(33.653)	(62.897)	<i>Remeasurements from post employment benefits obligation</i>
Saldo laba: Telah ditentukan penggunaannya Belum ditentukan penggunaannya	28	<u>62.519</u> <u>8.883.619</u>	<u>49.419</u> <u>7.934.728</u>	<i>Retained earnings: Appropriated - Unappropriated -</i>
JUMLAH EKUITAS		<u>20.140.671</u>	<u>19.298.535</u>	TOTAL EQUITY
JUMLAH LIABILITAS DAN EKUITAS		<u>124.461.796</u>	<u>112.601.055</u>	TOTAL LIABILITIES AND EQUITY

*) Lihat catatan 42 untuk reklasifikasi

Please refer to note 42 for reclassification *)

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

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PT BANK HSBC INDONESIA

**LAPORAN LABA RUGI DAN PENGHASILAN
KOMPREHENSIF LAIN
UNTUK TAHUN BERAKHIR 31 DESEMBER 2021**
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**
(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	31 Desember/ December 2021	31 Desember/ December 2020	
PENDAPATAN OPERASIONAL				OPERATING INCOME
Pendapatan bunga	30,38	4.771.632	5.306.862	Interest income
Beban bunga	30,38	(1.255.343)	(1.433.047)	Interest expenses
Pendapatan bunga bersih		3.516.289	3.873.815	Net interest income
Pendapatan provisi dan komisi	31,37,38	1.618.995	1.567.480	Fees and commissions income
Beban provisi dan komisi	31,38	(353.730)	(363.420)	Fees and commissions expenses
Pendapatan provisi dan komisi bersih		1.265.265	1.204.060	Net fees and commissions
Pendapatan instrumen yang diperdagangkan - bersih	32	1.087.376	1.741.761	Trading income - net
Laba atas selisih kurs - bersih		29.337	25.262	Foreign exchange gain - net
Keuntungan penjualan efek-efek tujuan investasi		27.508	-	Gain on sale of investment securities
Rugi dari aset yang dimiliki untuk dijual - bersih		(924)	(555)	Loss from assets held for sale - net
(Beban)/pendapatan lainnya - bersih	38	7.877	(14.646)	Other (expense)/income - net
		1.151.174	1.751.822	
Kerugian penurunan nilai - bersih	33	(748.054)	(1.717.134)	Impairment losses - net
Jumlah pendapatan operasional		5.184.674	5.112.563	Total operating income
BEBAN OPERASIONAL				OPERATING EXPENSES
Beban karyawan	25,34	(1.674.591)	(1.730.463)	Employees expenses
Beban umum dan administrasi	35,38,41	(1.314.621)	(1.253.995)	General and administrative expenses
Beban depresiasi aset tetap dan aset hak-guna		(280.949)	(296.175)	Depreciation expenses of properties, equipments, and right-on-use assets
Beban amortisasi aset takberwujud		(57.806)	(57.796)	Amortization expenses of intangible assets
Jumlah beban operasional		(3.327.967)	(3.338.429)	Total operating expenses
LABA SEBELUM PAJAK		1.856.707	1.774.134	PROFIT BEFORE TAX
Beban pajak penghasilan	36c	(383.818)	(464.140)	Income tax expense
LABA BERSIH TAHUN BERJALAN		1.472.889	1.309.994	NET PROFIT FOR THE YEAR
PENDAPATAN KOMPREHENSIF LAIN				OTHER COMPREHENSIVE INCOME
Pos-pos yang akan direklasifikasi ke laba rugi:				Items that will be reclassified subsequently to profit or loss:
Efek-efek untuk tujuan investasi dalam kelompok nilai wajar melalui penghasilan komprehensif lain:				Investments securities at fair value through other comprehensive income:
- Perubahan nilai wajar selama tahun berjalan - bersih	11	(134.712)	450.007	Changes in fair value - during the year - net
- Cadangan kerugian kredit ekspektasian		(9.871)	11.123	Allowance for expected credit loss -
- Keuntungan yang berasal dari penjualan atas efek-efek untuk tujuan investasi	11	(27.508)	-	Realized gain transferred to profit or loss on disposal investment securities
- Penyesuaian tarif pajak	11,36g	(12.559)	17.892	Adjustment on tax rate -
- Pajak penghasilan terkait	36g	35.689	(99.001)	Related income tax -
		(148.961)	380.021	
Pos-pos yang tidak akan direklasifikasi ke laba rugi:				Items that will not be reclassified subsequently to profit or loss:
Pengukuran kembali atas liabilitas imbalan pasca kerja:				Remeasurements from post employment benefits obligation:
- Laba/(rugi) aktuarial tahun berjalan	25	35.475	11.197	Actuarial gain/(loss) - during the year
- Penyesuaian tarif pajak	36g	1.574	(4.267)	Adjustment on tax rate -
- Pajak penghasilan terkait	36g	(7.805)	(2.464)	Related income tax -
		29.244	4.466	
(RUGI)/LABA KOMPREHENSIF LAIN. BERSIH SETELAH PAJAK		(119.717)	384.487	OTHER COMPREHENSIVE (LOSS)/ INCOME. NET OF TAX
JUMLAH PENGHASILAN KOMPREHENSIF UNTUK TAHUN BERJALAN		1.353.172	1.694.481	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 2021**
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**
(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	Modal ditempatkan dan disetor penuh/ Issued and fully paid-up capital	Tambahan modal disetor - bersih/ Additional paid-in capital - net	Cadangan berbasis Saham/ Share-based payment program reserves	Perubahan bersih nilai wajar/Net changes in fair value	(Rugi)/laba komprehensif lain - bersih setelah pajak/ Other comprehensive (loss)/income - net of tax	Saldo labal/ Retained earnings		Jumlah ekuitas/ Total equity	
							Telah ditentukan penggunaannya/ Appropriated	Belum ditentukan penggunaannya/ Unappropriated		
Saldo, 1 Januari 2020		10.586.395	257.610	14.894	137.657	(67.363)	26.306	7.284.069	18.239.588	Balance, 1 January 2020
Cadangan umum dan wajib yang telah ditentukan penggunaannya	28	-	-	-	-	-	23.113	(23.113)	-	Appropriation for general and legal reserves
Pembayaran dividen	28	-	-	-	-	-	-	(636.242)	(636.242)	Dividend payment
Perubahan cadangan program berbasis saham		-	-	708	-	-	-	-	708	Movement of share-based payment program reserves
Jumlah penghasilan komprehensif tahun berjalan:										Total comprehensive income for the year
Laba bersih tahun berjalan		-	-	-	-	-	-	1.309.994	1.309.994	Net profit for the year
Penghasilan komprehensif lain, bersih setelah pajak:										Other comprehensive income, net of tax:
- Pengukuran kembali atas liabilitas imbalan pasca kerja		-	-	-	-	8.733	-	-	8.733	Remeasurements from post-employment benefits obligation
- Perubahan nilai wajar (efek-efek untuk tujuan investasi pada nilai wajar melalui penghasilan komprehensif lain)		-	-	-	351.006	-	-	-	351.006	Changes in fair value (investment securities at fair value through other comprehensive income)
- Cadangan kerugian kredit ekspektasian (efek-efek untuk tujuan investasi pada nilai wajar melalui penghasilan komprehensif lain)		-	-	-	11.123	-	-	-	11.123	Allowance for expected credit losses (investment securities at fair value through other comprehensive income)
- Dampak penyesuaian tarif pajak	36g	-	-	-	17.892	(4.267)	-	-	13.625	Impact on tax rate adjustment - comprehensive income
Jumlah penghasilan komprehensif tahun berjalan		-	-	-	380.021	4.466	-	1.309.994	1.694.481	Total comprehensive income for the year
Saldo, 31 Desember 2020		10.586.395	257.610	15.602	517.678	(62.897)	49.419	7.934.728	19.298.535	Balance, 31 December 2020

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

PT BANK HSBC INDONESIA

**LAPORAN PERUBAHAN EKUITAS
UNTUK TAHUN BERAKHIR 31 DESEMBER 2021 (lanjutan)**
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**
(Expressed in millions of Rupiah, unless otherwise stated)

Catatan/ Notes	Modal ditempatkan dan disetor penuh/ Issued and fully paid-up capital	Tambahan modal disetor - bersih/ Additional paid-in capital - net	Cadangan program berbasis Saham/ Share-based payment program reserves	Perubahan bersih nilai wajar/Net changes in fair value	(Rugi)/laba komprehensif lain - bersih setelah pajak/ Other comprehensive (loss)/income - net of tax	Saldo labal/ Retained earnings		Jumlah ekuitas/ Total equity	
						Telah ditentukan penggunaannya/ Appropriated	Belum ditentukan penggunaannya/ Unappropriated		
Saldo, 31 Desember 2020	10.586.395	257.610	15.602	517.678	(62.897)	49.419	7.934.728	19.298.535	Balance, 31 December 2020
Cadangan umum dan wajib yang telah ditentukan penggunaannya	-	-	-	-	-	13.100	(13.100)	-	Appropriation for general and legal reserves
Pembayaran dividen	-	-	-	-	-	-	(510.898)	(510.898)	Dividend payment
Perubahan cadangan program berbasis saham	-	-	(138)	-	-	-	-	(138)	Movement of share-based payment program reserves
Jumlah penghasilan komprehensif tahun berjalan	-	-	-	-	-	-	-	-	Total comprehensive income for the year
Laba bersih tahun berjalan	-	-	-	-	-	-	1.472.889	1.472.889	Net profit for the year
Penghasilan komprehensif lain, bersih setelah pajak:	-	-	-	-	-	-	-	-	Other comprehensive income, net of tax:
- Pengukuran kembali atas liabilitas imbalan pasca kerja	-	-	-	-	27.670	-	-	27.670	Remeasurements from post - employment benefits obligation
- Keuntungan yang berasal dari pendapatan efek	-	-	-	(21.456)	-	-	-	(21.456)	Realised gain transferred to investment securities
- Perubahan nilai wajar (efek-efek untuk tujuan investasi pada nilai wajar melalui penghasilan komprehensif lain)	-	-	-	(105.075)	-	-	-	(105.075)	Prof/loss on disposal of securities at fair value through other comprehensive income
- Cadangan kerugian kredit ekspektasian (efek-efek untuk tujuan investasi pada nilai wajar melalui penghasilan komprehensif lain)	-	-	-	(9.871)	-	-	-	(9.871)	Allowance for expected credit losses (investment securities at fair value through other comprehensive income)
- Dampak penyesuaian tarif pajak berjalan	-	-	-	(12.559)	1.574	-	-	(10.985)	Impact on tax rate adjustment
Jumlah penghasilan komprehensif tahun berjalan	-	-	-	(148.961)	29.244	-	1.472.889	1.353.172	Total comprehensive income for the year
Saldo, 31 Desember 2021	10.586.395	257.610	15.464	368.717	(33.653)	62.519	8.883.619	20.140.671	Balance, 31 December 2021

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 ARUS KAS
UNTUK TAHUN BERAKHIR 31 DESEMBER 2021
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan khusus)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan/ Notes	31 Desember/ December 2021	31 Desember/ December 2020 ^{*)}	
ARUS KAS DARI AKTIVITAS OPERASI				CASH FLOWS FROM OPERATING ACTIVITIES
Penerimaan pendapatan bunga		5.129.691	5.238.116	Receipts from interest income
Pembayaran beban bunga		(1.263.194)	(1.490.277)	Payments for interest expenses
Penerimaan provisi dan komisi		1.484.717	1.520.416	Receipts from fees and commissions
Pembayaran provisi dan komisi		(353.730)	(363.420)	Payments for fees and commissions
Penerimaan pendapatan operasional	42	1.116.450	1.770.561	Receipts from operating income
Pembayaran beban operasional	42	(3.143.649)	(3.167.946)	Payments for operating expenses
Pembayaran pajak penghasilan badan		(632.753)	(486.404)	Corporate income tax paid
Pengembalian pajak penghasilan badan		30.555	450.381	Corporate income tax refund
Perubahan aset operasi:				Changes in operating assets:
Aset yang diukur pada nilai wajar				Asset at fair value through
melalui laba rugi		(1.486.274)	1.646.021	profit or loss
Tagihan derivatif		468.857	(194.767)	Derivative receivables
Kredit yang diberikan kepada nasabah		3.396.428	9.249.423	Loans to customers
Efek-efek yang dibeli dengan janji				Securities purchased under
dijual kembali		(767.444)	(8.827.903)	resale agreements
Aset lain-lain		499.288	544.837	Other assets
Perubahan liabilitas operasi:				Changes in operating liabilities:
Simpanan dari nasabah		12.885.074	9.233.440	Deposits from customers
Simpanan dari bank-bank lain		1.448.358	(566.800)	Deposits from other banks
Liabilitas derivatif		(471.466)	185.985	Derivative payables
Beban akrual dan provisi		16.499	(31.699)	Accruals and provisions
Liabilitas lain-lain		(1.498.777)	712.411	Other liabilities
Kas bersih yang diperoleh dari aktivitas operasi		16.858.630	15.422.375	Net cash provided from operating activities
ARUS KAS DARI AKTIVITAS INVESTASI				CASH FLOWS FROM INVESTING ACTIVITIES
Pembelian efek-efek untuk tujuan investasi		(10.840.975)	(6.191.632)	Purchase of investment securities
Penerimaan dari efek-efek untuk tujuan investasi yang jatuh tempo		7.188.696	3.199.619	Proceed from maturity of investment securities
Hasil penjualan aset tetap	18	624	1.776	Proceed from sale of properties and equipments
Perolehan aset tetap	18	(97.485)	(62.769)	Acquisition of properties and
Perolehan aset takberwujud	19	(12.906)	(9.870)	Acquisition of right of use assets
Kas bersih yang digunakan untuk aktivitas investasi		(3.762.046)	(3.062.876)	Acquisition of intangible assets
ARUS KAS DARI AKTIVITAS PENDANAAN				CASH FLOWS FROM FINANCING ACTIVITIES
Pembayaran pinjaman		(13.971.113)	(21.795.000)	Payment from borrowings
Perolehan pinjaman		12.526.613	13.878.375	Proceed from borrowings
Pembayaran dividen kas	28	(510.898)	(636.242)	Payments for cash dividend
Pembayaran kewajiban sewa		(128.174)	(150.500)	Payments for lease liabilities
Kas bersih yang digunakan untuk aktivitas pendanaan		(2.083.572)	(8.703.367)	Net cash used in financing activities
KENAIKAN BERSIH KAS DAN SETARA KAS		11.013.012	3.656.132	NET INCREASE IN CASH AND CASH EQUIVALENTS
PENGARUH SELISIH KURS MATA UANG ASING PADA KAS DAN SETARA KAS		164.121	(2.715.640)	EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATION ON CASH AND CASH EQUIVALENTS
KAS DAN SETARA KAS, 1 JANUARI		20.426.713	19.486.221	CASH AND CASH EQUIVALENTS, 1 JANUARY
KAS DAN SETARA KAS, 31 DESEMBER		31.603.846	20.426.713	CASH AND CASH EQUIVALENTS, 31 DECEMBER
Kas dan setara kas terdiri dari:				Cash and cash equivalents consist of:
Kas	6	429.856	627.207	Cash
Giro pada Bank Indonesia	7	8.417.779	4.252.139	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	8	3.363.992	3.740.740	Demand deposits with other banks
Penempatan pada Bank Indonesia - jatuh tempo dalam 3 bulan sejak tanggal perolehan	29	19.134.840	1.152.313	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	10	257.379	10.654.314	Placements with other banks - mature within 3 months from the date of acquisition
		31.603.846	20.426.713	

*) Lihat catatan 42 untuk reklasifikasi

Please refer to note 42 for reclassification *)

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

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PT BANK HSBC INDONESIA

LAPORAN ARUS KAS
UNTUK TAHUN BERAKHIR 31 DESEMBER 2021
(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan khusus)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in millions of Rupiah, unless otherwise stated)

Informasi tambahan arus kas:
Rekonsiliasi utang bersih

Supplemental cash flows information:
Net debt reconciliation

	31 Desember/ December 2020	Arus kas/ Cash flows	Perubahan non-kas/ Non-cash changes	31 Desember/ December 2021	
Kas dan setara kas	20.426.713	11.013.012	164.121	31.603.846	Cash and cash equivalents
Rekonsiliasi liabilitas yang timbul dari aktivitas pendanaan:					Reconciliation of liabilities arising from financing activities:
- Pinjaman yang diterima	(7.516.750)	1.444.500	(127.588)	(6.199.838)	Borrowings -
- Pinjaman subordinasi	(1.053.750)	-	(15.187)	(1.068.937)	Subordinated debt -
- Liabilitas sewa	(278.567)	128.174	(223.210)	(373.603)	Lease liabilities -
Utang bersih	11.577.646	12.585.686	(201.864)	23.961.468	Net debt
	31 Desember/ December 2019	Arus kas/ Cash flows	Perubahan non-kas/ Non-cash changes	31 Desember/ December 2020	
Kas dan setara kas	19.486.221	3.656.132	(2.715.640)	20.426.713	Cash and cash equivalents
Rekonsiliasi liabilitas yang timbul dari aktivitas pendanaan:					Reconciliation of liabilities arising from financing activities:
- Pinjaman yang diterima	(15.062.513)	7.916.625	(370.862)	(7.516.750)	Borrowings -
- Pinjaman subordinasi	(1.041.188)	-	(12.562)	(1.053.750)	Subordinated debt -
- Liabilitas sewa	(372.374)	150.500	(56.693)	(278.567)	Lease liabilities -
Utang bersih	3.010.146	11.723.257	(3.155.757)	11.577.646	Net debt

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

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1. UMUM
a. Pendirian dan informasi umum

PT Bank HSBC Indonesia (sebelumnya PT Bank Ekonomi Rahardja, Tbk., atau "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 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 disahkan oleh Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dalam Surat Keputusan No. AHU-0014340.AH.01.02. tanggal 10 Agustus 2016 dan 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.

Sesuai 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 26).

Anggaran dasar Bank telah mengalami beberapa kali perubahan. Perubahan terakhir dilakukan dengan akta No. 136 tanggal 25 Mei 2018 yang dibuat di hadapan Dr. Irawan Soerodjo, S.H., M.Si., notaris di Jakarta sehubungan dengan tugas dan tanggung jawab direksi untuk menjalankan perbuatan hukum.

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 (formerly PT Bank Ekonomi Rahardja, Tbk., or "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 was 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.

According to 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 26).

The Bank's articles of association have been amended several times. The latest amendment was effected by notarial deed No. 136 dated 25 Mei 2018 of Dr. Irawan Soerodjo, S.H., M.Si., notary in Jakarta in relation to duties and responsibilities of the board of directors to carry out legal actions.

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.

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1. UMUM (lanjutan)

a. Pendirian dan informasi umum (lanjutan)

Izin usaha Bank diberikan oleh Menteri Keuangan Republik Indonesia dengan Surat Keputusan No. 104/KMK.013/1990 tanggal 12 Februari 1990. Bank juga memperoleh izin untuk menjalankan aktivitas sebagai bank devisa berdasarkan Surat Keputusan Direksi Bank Indonesia No. 25/64/KEP/DIR tanggal 16 September 1992.

Kantor pusat Bank berlokasi di World Trade Center I, Jl. Jenderal Sudirman Kav. 29-31, Jakarta 12920. Pada tanggal 31 Desember 2021, Bank memiliki 31 cabang utama (termasuk kantor pusat) dan 25 cabang pembantu di Indonesia (tidak diaudit).

Pada tanggal 31 Desember 2021 dan 2020 jumlah karyawan tetap Bank masing-masing sebanyak 3.165 dan 3.428 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 2021 dan 2020 adalah sebagai berikut:

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 2021, the Bank has 31 main branches (including the head office) and 25 sub-branches in Indonesia (unaudited).

As of 31 December 2021 and 2020 the Bank has 3,165 and 3,428 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 2021 and 2020 are as follows:

2021		
Komisaris Utama	Matthew Kneeland Lobner	President Commissioner
Wakil Komisaris Utama merangkap Komisaris Independen	Hanny Wurugian	Vice-President Commissioner and Independent Commissioner
Komisaris Independen	Umar Juoro	Independent Commissioner
Komisaris Independen	Catherinawati Hadiman	Independent Commissioner
Komisaris	Mark Thomas McKeown	Commissioner
Komisaris	Mark Trevor Surgenor ¹⁾	Commissioner
Direktur Utama	François-Pascal Marie Jacques du Mesnil de Maricourt	President Director
Direktur	Stephen Whilton Angell	Director
Direktur	Dio Alexander Samsoeri	Director
Direktur	Edhi Tjahja Negara Darmohusolo	Director
Direktur	Eri Budiono	Director
Direktur	Riko Adythia	Director
Direktur Kepatuhan	Nisha Asha Bhambhani ²⁾	Compliance Director
Direktur	James Rex Elwes ³⁾	Director
Direktur	Yardley ⁴⁾	Director

¹⁾ Efektif sejak tanggal 23 Maret 2021²⁾ Efektif sejak tanggal 22 Februari 2021³⁾ Efektif sejak tanggal 30 April 2021⁴⁾ Efektif sejak tanggal 11 Oktober 2021Effective since 23 March 2021 ¹⁾Effective since 22 February 2021 ²⁾Effective since 30 April 2021 ³⁾Effective since 11 October 2021 ⁴⁾

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1. UMUM (lanjutan)

a. Pendirian dan informasi umum (lanjutan)

Susunan Dewan Komisaris dan Direksi Bank pada tanggal 31 Desember 2021 and 2020, adalah sebagai berikut: (lanjutan)

	2020	
Komisaris Utama	Matthew Kneeland Lobner	President Commissioner
Wakil Komisaris Utama merangkap Komisaris Independen	Hanny Wurangian	Vice-President Commissioner and Independent Commissioner
Komisaris Independen	Umar Juoro	Independent Commissioner
Komisaris Independen	Catherinawati Hadiman Sugianto	Independent Commissioner
Komisaris	Mark Thomas McKeown	Commissioner
Komisaris	Mark Trevor Surgenor ¹⁾	Commissioner
Direktur Utama	François-Pascal Marie Jacques du Mesnil de Maricourt	President Director
Direktur	Caecilia Pudji Widyarti ²⁾	Director
Direktur	Stephen Whilton Angell	Director
Direktur	Dio Alexander Samsoeri	Director
Direktur	Edhi Tjahja Negara Darmohusolo	Director
Direktur	Eri Budiono	Director
Direktur	Riko Adythia	Director
Direktur Kepatuhan	Nisha Asha Bhambhani ³⁾	Compliance Director
Direktur	James Rex Elwes ⁴⁾	Director

¹⁾ Efektif jika dan sejak tanggal Otoritas Jasa Keuangan (OJK) memberikan persetujuan atas penilaian kemampuan dan kepatutan (*Fit and Proper Test*), dengan memperhatikan peraturan dan perundang-undangan yang berlaku.

²⁾ Telah diangkat sebagai Direktur yang melaksanakan tugas sementara Direktur yang membawahkan Fungsi Kepatuhan pada Rapat Umum Pemegang Saham Tahunan HBID Tahun 2020 tanggal 30 Juni 2020 sampai dengan Direktur yang membawahkan Fungsi Kepatuhan HBID yang baru efektif jika dan atas persetujuan Otoritas Jasa Keuangan (OJK) untuk Penilaian Kemampuan dan Kepatutan dengan memperhatikan aturan hukum dan peraturan perundang-undangan yang berlaku.

³⁾ Efektif jika dan sejak tanggal Otoritas Jasa Keuangan (OJK) memberikan persetujuan atas penilaian kemampuan dan kepatutan (*Fit and Proper Test*), dengan memperhatikan peraturan dan perundang-undangan yang berlaku.

⁴⁾ Efektif jika dan sejak tanggal Otoritas Jasa Keuangan memberikan persetujuan atas penilaian kemampuan dan kepatutan (*Fit and Proper Test*) atau tanggal diterbitkannya ijin kerja, yang mana yang lebih lama terjadi, dengan memperhatikan peraturan perundang-undangan yang berlaku

Effective if and upon the Indonesia Financial Service Authority's ¹⁾ (Otoritas Jasa Keuangan / OJK) approval for fit and proper test with due observance to the prevailing laws and regulations in Indonesia
Has been appointed as Director in charge of overseeing ²⁾ Compliance Function temporarily on the Annual General Shareholders Meeting of HBID dated 30 June 2020 until a new HBID Director in charge of overseeing Compliance Function becomes effective if and upon the Indonesia Financial Services Authority's (Otoritas Jasa Keuangan/OJK) approval for the Fit and Proper Test with due observance to the prevailing laws and regulations in Indonesia.

Effective if and upon the Indonesia Financial Services ³⁾ Authority's (Otoritas Jasa Keuangan/OJK) approval for the Fit and Proper Test with due observance to the prevailing laws and regulations in Indonesia

Effective if and upon Indonesia Financial Services Authority's (Otoritas Jasa ⁴⁾ Keuangan) approval for the Fit and Proper Test or upon the issuance date of working permit, whichever comes later, with due observance to the prevailing laws and regulations

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.

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.

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.

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1. UMUM (lanjutan)**b. Penawaran umum saham dan privatisasi
(lanjutan)**

Berdasarkan Akta Pernyataan Keputusan Rapat Perseroan Terbatas No. 97 tanggal 16 November 2015, dibuat di hadapan Dr. Irawan Soerodjo, S.H., M.Si., notaris di Jakarta dan telah disetujui oleh Menteri Hukum dan Hak Asasi Manusia Republik Indonesia berdasarkan Surat Persetujuan No. AHU-0946124.AH.01.02. tahun 2015 tanggal 17 November 2015, Anggaran Dasar Bank telah diubah sehubungan dengan perubahan status Bank dari perusahaan terbuka (publik) menjadi perusahaan tertutup.

c. Integrasi usaha dengan The Hongkong and Shanghai Banking Corporation Limited – Cabang Jakarta

Pada tanggal 18 Oktober 2016, Bank telah menandatangani Perjanjian Kerangka Kerja untuk Melaksanakan Integrasi Bisnis Perbankan di Indonesia dengan The Hongkong and Shanghai Banking Corporation Limited (HBAP) untuk melaksanakan integrasi usaha dan operasi dengan kantor cabang Jakarta dari HBAP yang dikenal sebagai 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 14 Maret 2022.

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.

1. GENERAL (continued)**b. Public offering of shares and privatisation
(continued)**

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.

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 14 March 2022.

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).

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2. DASAR PENYUSUNAN (lanjutan)**a. Pernyataan kepatuhan dan dasar penyusunan laporan keuangan (lanjutan)**

Laporan keuangan disusun berdasarkan harga perolehan, kecuali jika standar akuntansi mensyaratkan pengukuran nilai wajar.

Laporan keuangan disusun atas dasar akrual, kecuali laporan arus kas.

Laporan arus kas menyajikan perubahan dalam kas dan setara kas dari aktivitas operasi, investasi dan pendanaan. Laporan arus kas disusun dengan metode langsung. Untuk tujuan laporan arus kas, kas dan setara kas meliputi kas dan saldo yang tidak dibatasi penggunaannya di giro pada Bank Indonesia, giro pada bank-bank lain, penempatan pada Bank Indonesia yang jatuh tempo dalam waktu tiga bulan sejak tanggal perolehan dan penempatan pada bank-bank lain yang jatuh tempo dalam waktu tiga bulan sejak tanggal perolehan.

Laporan keuangan disajikan dalam Rupiah, yang merupakan mata uang fungsional dan pelaporan Bank. Seluruh angka dalam laporan keuangan ini disajikan dalam jutaan Rupiah yang terdekat, kecuali dinyatakan secara khusus.

b. Penggunaan pertimbangan, taksiran dan asumsi

Penyusunan laporan keuangan sesuai dengan Standar Akuntansi Keuangan di Indonesia mengharuskan manajemen untuk membuat pertimbangan-pertimbangan, taksiran-taksiran, dan asumsi-asumsi yang mempengaruhi penerapan kebijakan akuntansi dan jumlah aset, liabilitas, pendapatan dan beban yang dilaporkan.

Walaupun taksiran ini dibuat berdasarkan pengetahuan terbaik manajemen atas kejadian dan kegiatan saat ini, hasil aktual dapat berbeda dari taksiran-taksiran tersebut.

Taksiran-taksiran dan asumsi-asumsi yang digunakan ditelaah secara berkesinambungan. Revisi atas taksiran akuntansi diakui pada periode dimana taksiran tersebut direvisi dan periode-periode yang akan datang yang dipengaruhi oleh revisi taksiran tersebut.

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.

2. BASIS OF PREPARATION (continued)**a. Statement of compliance and basis for preparation of financial statements (continued)**

The financial statements are prepared under the historical cost convention, except where the accounting standards require fair value measurement.

The financial statements have been prepared on the accrual basis, except for the statement of cash flows.

The statement of cash flows presents the changes in cash and cash equivalents from operating, investing and financing activities. The statement of cash flows is prepared using the direct method. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and unrestricted balances in demand deposits with Bank Indonesia, demand deposits with other banks, placements with Bank Indonesia mature within three months from the date of acquisition and placements with other banks mature within three months from the date of acquisition.

The financial statements are presented in Rupiah, which is the Bank's functional and reporting currency. Figures in these financial statements are rounded to and stated in millions of Rupiah, unless otherwise stated.

b. Use of judgments, estimates and assumptions

The preparation of financial statements in conformity with Indonesian Financial Accounting Standards requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Although these estimates are based on management's best knowledge of current events and activities, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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.

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2. DASAR PENYUSUNAN (lanjutan)**c. Perubahan kebijakan akuntansi**

Kecuali dinyatakan di bawah ini, kebijakan akuntansi yang berakhir 31 Desember 2021 telah diterapkan secara konsisten dengan laporan keuangan tahunan untuk tahun yang berakhir 31 Desember 2020 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 2021, sebagai berikut:

- Penyesuaian tahunan terhadap PSAK 1 "Penyajian Laporan Keuangan";
- Penyesuaian tahunan terhadap PSAK 48 "Penurunan Nilai Aset";
- Penyesuaian tahunan terhadap PSAK 110 "Akuntansi Sukuk";
- Amendemen PSAK 55 "Instrumen Keuangan" tentang Pengakuan dan Pengukuran (Pembaruan IBOR Fase 2);
- Amendemen PSAK 60 "Instrumen Keuangan" tentang Pengungkapan (Pembaruan IBOR Fase 2);
- Amendemen PSAK 71 "Instrumen Keuangan" (Pembaruan IBOR Fase 2);
- Amendemen PSAK 73 "Konsesi sewa terkait Covid-19 setelah 30 Juni 2021";
- Amendemen PSAK 22 "Definisi Bisnis";
- Amendemen PSAK 16 "Aset Tetap" tentang hasil sebelum penggunaan yang diintensikan;
- Amendemen PSAK 57 "Provisi, Liabilitas Kontinjensi, dan Aset Kontinjensi" tentang Kontrak Memberatkan—Biaya Memenuhi Kontrak.

Penerapan dari standar, interpretasi baru/revisi standar berikut yang berlaku efektif mulai 1 Januari 2021. Kecuali untuk perubahan yang dijelaskan di bawah ini, implementasi dari standar-standar tersebut tidak menghasilkan perubahan substansial terhadap kebijakan akuntansi Bank dan tidak memiliki dampak yang material terhadap laporan keuangan di tahun berjalan atau tahun sebelumnya.

- Amendemen PSAK 71, Amendemen PSAK 55, dan Amendemen PSAK 60, tentang Reformasi Acuan Suku Bunga – Tahap 2.

Amendemen tersebut memungkinkan entitas untuk mencerminkan efek transisi dari suku bunga acuan, seperti interbank offered rates (IBORs) ke suku bank acuan alternatif tanpa menimbulkan dampak akuntansi yang tidak memberikan informasi yang berguna bagi pengguna laporan keuangan (lihat Catatan 3ab).

2. BASIS OF PREPARATION (continued)**c. Changes in accounting policies**

Except as described below, the accounting policies applied for the year ended 31 December 2021 are consistent with those of the annual financial statements for the year ended 31 December 2020 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 2021, as follows:

- Annual improvements to SFAS 1 "Presentation of Financial Statements";
- Annual improvements to SFAS 48 "Impairment of Assets";
- Annual improvements to SFAS 110 "Sukuk Accounting";
- Amendment to SFAS 55 "Financial Instruments" related to Recognition and Measurement (IBOR Reform Batch 2);
- Amendment to SFAS 60 "Financial Instruments" related to Disclosures (IBOR Reform Batch 2);
- Amendment to SFAS 71 "Financial Instruments" (IBOR Reform Batch 2);
- Amendment to PSAK 73 "Covid-19 related lease concession beyond 30 June 2021";
- Amendment to SFAS 22 "Definition of Business";
- Amendment to SFAS 16 "Fixed Assets" regarding proceeds before intended use;
- Amendment of SFAS 57 "Provisions, Contingent Liabilities, and Contingent Assets" on Onerous Contracts related to the Cost of Fulfilling Contracts.

The implementation of these new and amended standards and interpretations that are effective beginning 1 January 2021. Except for the changes as explained below, the implementation of the above standards did not result in substantial changes to the Bank's accounting policies and had no material impact to the financial statements for current or prior financial years.

- Amendment to SFAS 71, Amendment to SFAS 55, and Amendment PSAK 60, "Interest Rate Benchmark Reform – Phase 2".

The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offered rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements (refer to Note 3ab).

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3. IKHTISAR KEBIJAKAN AKUNTANSI YANG PENTING

Kebijakan-kebijakan akuntansi yang penting yang diterapkan dalam penyusunan laporan keuangan Bank adalah sebagai berikut:

a. Aset 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 derivatif, utang akseptasi, beban akrual, pinjaman yang diterima, pinjaman subordinasi dan liabilitas keuangan lainnya yang disajikan sebagai bagian dari liabilitas lain-lain.

Bank mengelompokkan aset keuangannya sesuai dengan PSAK 71 dalam kategori berikut pada saat pengakuan awal:

- i. Biaya perolehan diamortisasi;
- ii. Diukur pada nilai wajar melalui laba rugi (FVTPL);
- iii. Diukur pada nilai wajar melalui penghasilan komprehensif lain (FVOCI).

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

Aset keuangan diklasifikasikan menjadi kategori tersebut di atas berdasarkan model bisnis dimana aset keuangan tersebut dimiliki dan karakteristik arus kas kontraktualnya. Model bisnis merefleksikan bagaimana kelompok aset keuangan dikelola untuk mencapai tujuan bisnis tertentu.

Aset keuangan dapat diukur dengan biaya perolehan diamortisasi hanya jika memenuhi kedua kondisi berikut dan tidak ditetapkan sebagai FVTPL:

- Aset keuangan dikelola dalam model bisnis yang bertujuan untuk memiliki aset keuangan untuk tujuan mendapatkan arus kas kontraktual (*held to collect*); dan
- Kriteria kontraktual dari aset keuangan yang pada tanggal tertentu menghasilkan arus kas yang merupakan pembayaran pokok dan bunga semata (SPPI) dari jumlah pokok terutang.

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, derivative liabilities, acceptance payables, accruals, borrowings, subordinated debts and other financial liabilities that are presented as part of other liabilities.

The Bank classified its financial assets in accordance with SFAS 71 in the following categories on initial recognition:

- i. Amortised cost;
- ii. Fair value through profit or loss (FVTPL);
- iii. Fair value through other comprehensive income (FVOCI).

Financial liabilities are classified into the following categories on initial recognition:

- i. Fair value through profit or loss, which has 2 (two) sub-classifications, i.e. financial liabilities designated as such upon initial recognition and financial liabilities classified as held for trading;
- ii. Financial liabilities measured at amortised cost.

a.1. Classification

Financial assets are classified into these categories based on the business model within which they are held and their contractual cash flow characteristics. The business model reflects how groups of financial assets are managed to achieve a particular business objective.

A financial asset is measured at amortised cost only if it meets both of the following conditions and it is not designated as at FVTPL:

- The financial asset is held within a business model whose objective is to hold the asset to collect contractual cash flows (*held to collect*); and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
a. Aset dan liabilitas keuangan (lanjutan)
a.1. Klasifikasi (lanjutan)

Pokok merupakan nilai wajar dari instrumen pada saat pengakuan awal. Bunga dalam hal ini merupakan kompensasi untuk nilai waktu uang dan risiko kredit terkait beserta kompensasi untuk risiko lain dan biaya yang konsisten dengan persyaratan dalam peminjaman standar dan margin laba.

Kategori aset ini membutuhkan penilaian persyaratan kontraktual pada saat pengakuan awal untuk menentukan apakah kontrak mengandung persyaratan yang dapat mengubah waktu atau jumlah dari arus kas yang tidak konsisten dengan persyaratan SPPI.

Dalam menilai apakah arus kas kontraktual memiliki karakteristik SPPI, Bank mempertimbangkan persyaratan kontraktual atas instrumen tersebut. Hal ini termasuk dalam hal menilai apakah aset keuangan mengandung ketentuan kontraktual yang dapat mengubah waktu atau jumlah arus kas kontraktual sehingga tidak dapat memenuhi kondisi SPPI. Dalam melakukan penilaian, Bank mempertimbangkan:

- Kejadian kontinjensi yang akan mengubah jumlah dan waktu arus kas;
- Fitur leverage; dan
- Persyaratan pelunasan dipercepat atau perpanjangan fasilitas

Suatu instrumen utang diukur pada FVOCI, hanya jika memenuhi kedua kondisi berikut dan tidak ditetapkan sebagai FVTPL:

- Aset keuangan dikelola dalam model bisnis yang tujuan tercapai dengan mendapatkan arus kas kontraktual dan menjual aset keuangan (*held to collect and sell*); dan
- Kriteria kontraktual dari aset keuangan yang pada tanggal tertentu menghasilkan arus kas yang merupakan pembayaran pokok dan bunga semata dari jumlah pokok terutang.

Laba rugi yang belum direalisasi atas aset keuangan yang diklasifikasikan sebagai FVOCI ditangguhkan di pendapatan komprehensif lain sampai aset tersebut dihentikan.

Aset dapat dijual dari portofolio *hold to collect* ketika terdapat peningkatan risiko kredit. Penghentian untuk alasan lain diperbolehkan namun jumlah penjualan tersebut harus tidak signifikan jumlahnya atau tidak sering.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
a. Financial assets and liabilities (continued)
a.1. Classification (continued)

Principal represents the fair value of the instrument at the time of initial recognition. Interest in this context represents consideration for the time value of money and associated credit risks together with compensation for other risks and costs consistent with a basic lending arrangement and a profit margin.

This requires an assessment at initial recognition of the contractual terms to determine whether it contains a term that could change the timing or amount of cash flows in a way that is inconsistent with the SPPI criteria.

In assessing whether the contractual cash flows have SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- *Contingent events that would change the amount and timing of cash flows;*
- *Leverage features; and*
- *Prepayment and extension terms*

A debt instruments measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- *The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset (hold to collect and sell); and*
- *The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

Unrealised gains or losses of financial assets held at FVOCI are deferred in other comprehensive income until the asset is derecognised.

Assets may be sold out of hold to collect portfolios where there is an increase in credit risk. Disposals for other reasons are permitted but such sales should be insignificant in value or infrequent in nature.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)****a. Aset dan liabilitas keuangan (lanjutan)****a.1. Klasifikasi (lanjutan)**

Seluruh aset keuangan yang tidak diklasifikasikan sebagai diukur dengan biaya perolehan diamortisasi atau FVOCI sebagaimana ketentuan di atas diukur dengan FVTPL, dengan satu pengecualian untuk instrumen ekuitas tertentu yang tidak untuk diperdagangkan dan dimana pilihan telah ditetapkan untuk menyajikan keuntungan dan kerugian dari pergerakan nilai wajar dalam penghasilan komprehensif lainnya tanpa reklasifikasi ke laba rugi saat penghentian pengakuan aset tersebut.

Aset keuangan dapat ditetapkan sebagai FVTPL hanya jika ini dapat mengeliminasi atau mengurangi *accounting mismatch*.

a.2. Pengakuan

Pembelian dan penjualan aset keuangan yang lazim (*regular*) diakui pada tanggal perdagangan dimana Bank memiliki komitmen untuk membeli atau menjual aset tersebut.

Pada saat pengakuan awal, aset keuangan atau liabilitas keuangan diukur pada nilai wajar ditambah/dikurang (untuk *item* yang tidak diukur pada nilai wajar melalui laporan laba rugi setelah pengakuan awal) biaya transaksi (jika ada) yang dapat diatribusikan secara langsung atas perolehan aset keuangan atau penerbitan liabilitas keuangan. Pengukuran aset keuangan dan liabilitas keuangan setelah pengakuan awal tergantung pada klasifikasi aset keuangan dan liabilitas keuangan tersebut.

Biaya transaksi hanya meliputi biaya-biaya yang dapat diatribusikan secara langsung untuk perolehan suatu aset keuangan atau penerbitan suatu liabilitas keuangan dan merupakan biaya tambahan yang tidak akan terjadi apabila instrumen keuangan tersebut tidak diperoleh atau diterbitkan. Biaya transaksi tersebut diamortisasi selama umur instrumen berdasarkan metode suku bunga efektif dan dicatat sebagai bagian dari pendapatan bunga untuk biaya transaksi sehubungan dengan aset keuangan atau sebagai bagian dari beban bunga untuk biaya transaksi sehubungan dengan liabilitas keuangan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)****a. Financial assets and liabilities (continued)****a.1. Classification (continued)**

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL, with one exception for certain equity instruments that are not held for trading and where an election has been taken to present gains and losses of fair value movements in OCI with no reclassification of fair value gains/losses to profit or loss on derecognition.

Financial assets may be designated at FVTPL only if doing so eliminates or reduces accounting mismatch.

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.

Transaction costs only include those costs that are directly attributable to the acquisition of a financial asset or issuance of a financial liability and are incremental costs that would not have been incurred if the financial instrument had not been acquired or issued. Such transaction costs are amortised over the terms of the instruments based on the effective interest method and are recorded as part of interest income for transaction costs related to financial assets or interest expenses for transaction costs related to financial liabilities.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
a. Aset dan liabilitas keuangan (lanjutan)
a.3. Penghentian pengakuan

Bank menghentikan pengakuan aset keuangan pada saat hak kontraktual atas arus kas yang berasal dari aset keuangan tersebut kadaluwarsa, atau Bank mentransfer seluruh hak untuk menerima arus kas kontraktual dari aset keuangan dalam transaksi dimana Bank secara substansial telah mentransfer seluruh risiko dan manfaat atas kepemilikan aset keuangan yang ditransfer. Setiap hak atau kewajiban atas aset keuangan yang ditransfer yang timbul atau yang masih dimiliki oleh Bank diakui sebagai aset atau liabilitas secara terpisah.

Bank menghentikan pengakuan liabilitas keuangan pada saat kewajiban yang ditetapkan dalam kontrak dilepaskan atau dibatalkan atau kadaluwarsa.

Bank menghapusbukkan saldo kredit dan efek untuk tujuan investasi, dan penyisihan kerugian penurunan nilai terkait, pada saat Bank menentukan bahwa kredit atau efek-efek tersebut tidak dapat ditagih. Keputusan ini diambil setelah mempertimbangkan informasi seperti telah terjadinya perubahan signifikan pada posisi keuangan debitur/penerbit sehingga debitur/penerbit tidak lagi dapat melunasi kewajibannya, atau hasil penjualan agunan tidak akan cukup untuk melunasi seluruh eksposur yang diberikan. Selisih lebih nilai tercatat kredit yang diberikan atas arus kas masuk dari eksekusi jaminan dibebankan sebagai kerugian penurunan nilai dalam laba rugi tahun berjalan.

a.4. Saling hapus

Aset keuangan dan liabilitas keuangan disalinghapuskan dan jumlah netonya dilaporkan pada laporan posisi keuangan ketika terdapat hak yang berkekuatan hukum untuk melakukan saling hapus atas jumlah yang telah diakui tersebut dan adanya niat untuk menyelesaikan secara neto, atau untuk merealisasikan aset dan menyelesaikan liabilitas secara bersamaan. Hak saling hapus tidak kontingen atas peristiwa di masa depan dan dapat dipaksakan secara hukum dalam situasi bisnis yang normal dan dalam peristiwa gagal bayar, atau peristiwa kepailitan atau kebangkrutan Bank atau pihak lawan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
a. Financial assets and liabilities (continued)
a.3. Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Bank transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which the Bank has substantially transfer all the risks and rewards of ownership of the financial asset. Any rights or obligation in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or 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.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
a. Aset dan liabilitas keuangan (lanjutan)
**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.

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 menanggulangi perbedaan antara nilai wajar pada saat pengakuan awal dan harga transaksi.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
a. Financial assets and liabilities (continued)
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.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)****a. Aset dan liabilitas keuangan (lanjutan)****a.6. Pengukuran nilai wajar (lanjutan)**

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-efek tersebut.

Nilai wajar untuk semua instrumen keuangan lainnya ditentukan dengan menggunakan teknik penilaian. Dengan teknik ini, nilai wajar merupakan suatu estimasi yang dihasilkan dari data yang diobservasi dari instrumen keuangan yang sama, menggunakan model-model untuk mendapatkan estimasi nilai kini dari arus kas masa depan yang diharapkan atau teknik penilaian lainnya menggunakan *input* (sebagai contoh *LIBOR yield curve*, nilai tukar mata uang asing, volatilitas, dan *counterparty spreads*) yang tersedia pada tanggal laporan posisi keuangan.

b. Giro pada Bank Indonesia dan bank-bank lain

Giro pada Bank Indonesia dan giro pada bank-bank lain dicatat pada biaya perolehan diamortisasi dengan menggunakan metode suku bunga efektif.

c. Penempatan pada Bank Indonesia dan bank-bank lain

Penempatan pada Bank Indonesia dan bank-bank lain pada awalnya diukur pada nilai wajar ditambah biaya transaksi (jika ada) yang dapat diatribusikan secara langsung dan merupakan biaya tambahan untuk memperoleh aset keuangan tersebut, dan setelah pengakuan awal diukur pada biaya perolehan diamortisasi menggunakan metode suku bunga efektif.

d. Kredit yang diberikan kepada nasabah

Kredit yang diberikan kepada nasabah adalah penyediaan uang atau tagihan yang dapat disetarakan dengan kas, berdasarkan persetujuan atau kesepakatan pinjam-meminjam dengan debitur yang mewajibkan debitur untuk melunasi utang berikut bunganya setelah jangka waktu tertentu.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)****a. Financial assets and liabilities (continued)****a.6. Fair value measurement (continued)**

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.

d. Loans to customers

Loans to customers represent provision of cash or cash equivalent based on agreements with debtors, where debtors are required to repay their debts with interest after a specified period.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)****d. Kredit yang diberikan kepada nasabah
(lanjutan)**

Kredit yang diberikan kepada nasabah pada awalnya diukur pada nilai wajar ditambah biaya atau pendapatan transaksi yang dapat diatribusikan secara langsung (jika ada), dan setelah pengakuan awal diukur pada biaya perolehan diamortisasi atau nilai wajar sesuai dengan klasifikasinya masing-masing (Catatan 3.a.1). Untuk kredit yang diberikan yang diklasifikasikan sebagai biaya perolehan diamortisasi, setelah pengakuan awal diukur menggunakan suku bunga efektif. Sedangkan untuk kredit yang diberikan yang diklasifikasikan sebagai FVTPL, setelah pengakuan awal diukur pada nilai wajar dimana keuntungan atau kerugian atas perubahan nilai wajar dicatat pada pendapatan transaksi perdagangan-bersih.

Jenis kredit yang diberikan terdiri dari kredit modal kerja, investasi, konsumsi dan karyawan.

Kredit dalam rangka pembiayaan bersama (kredit sindikasi) dinyatakan sebesar biaya perolehan diamortisasi sesuai dengan porsi risiko yang ditanggung oleh Bank.

Restrukturisasi pinjaman debitur yang mengalami kesulitan dalam memenuhi kewajibannya, dilakukan antara lain melalui perpanjangan jangka waktu pinjaman dan perubahan fasilitas pinjaman.

Kerugian yang timbul dari restrukturisasi pinjaman yang berkaitan dengan modifikasi persyaratan pinjaman diakui bila nilai sekarang dari jumlah penerimaan kas yang akan datang yang telah ditentukan dalam persyaratan pinjaman yang baru, termasuk penerimaan yang diperuntukkan sebagai bunga maupun pokok, adalah lebih kecil dari nilai pinjaman yang diberikan yang tercatat sebelum restrukturisasi.

**e. Efek-efek yang dibeli dengan janji dijual
kembali**

Efek-efek yang dibeli dengan janji dijual kembali (*reverse repo*) yang dimiliki Bank dengan tujuan untuk memperoleh arus kas kontraktual dengan janji untuk dijual kembali pada waktu dan harga yang telah ditentukan, bukan dengan tujuan untuk diperdagangkan, disajikan sebagai tagihan sebesar harga jual yang telah disepakati, dikurangi dengan selisih antara harga beli dan harga jual yang telah disepakati. Selisih antara harga beli dan harga jual kembali yang disepakati tersebut diamortisasi sebagai pendapatan bunga selama jangka waktu sejak efek-efek itu dibeli hingga saat dijual kembali dengan menggunakan metode suku bunga efektif. Efek-efek yang mendasari transaksi *reverse repo* tidak diakui di laporan posisi keuangan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)****d. Loans to customers (continued)**

Loans to customers are initially measured at fair value plus incremental direct transaction costs or income (if any), and subsequently measured at amortised cost or fair value depending on the respective classification (Note 3.a.1). For loan which classified as amortised cost is subsequently measured using the effective interest method. While for loans which classified as fair value through profit or loss are subsequently carried at fair value, with gains or losses arising from changes in fair value are recorded in net trading income.

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 diukur pada nilai wajar melalui penghasilan komprehensif lain (FVOCI) dan pada awalnya diukur pada nilai wajar ditambah biaya transaksi (jika ada).

Setelah pengakuan awal, efek-efek untuk tujuan investasi dinyatakan pada nilai wajar dimana keuntungan dan kerugian yang belum direalisasi atas perubahan nilai wajar diakui sebagai penghasilan komprehensif lain. Perubahan pada kerugian kredit ekspektasian diakui laba rugi dan diakumulasi pada ekuitas. Pada saat penghentian pengakuan, akumulasi keuntungan atau kerugian nilai wajar bersih, setelah akumulasi cadangan kerugian penurunan nilai, ditransfer ke laba rugi.

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:

- a. Investasi tersebut dimiliki dalam suatu model usaha yang bertujuan utama untuk memperoleh arus kas kontraktual dan melakukan penjualan sukuk; dan

**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 measured at fair value through other comprehensive income (FVOCI), and initially measured at fair value plus transaction costs (if any).

Subsequent to initial measurement, investment securities are carried at fair value with all unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income. Changing in expected credit losses recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of cumulative allowance for impairment losses, are transferred to the profit or loss.

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:

- a. Such investment is held in a business model whose objective is to collect contractual cash flows and to sell sukuk; and

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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: (lanjutan)

- b. 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 2021 dan 2020 adalah sebagai berikut:

Valuta asing		2021	2020	Foreign currencies	
		Rupiah penuh/ Rupiah full amount	Rupiah penuh/ Rupiah full amount		
1	Pound Inggris (GBP)	19.250,86	19.012,46	British Pound (GBP)	1
1	Euro (EUR)	16.112,46	17.234,43	Euro (EUR)	1
1	Dolar Amerika Serikat (USD)	14.252,50	14.050,00	United States Dollar (USD)	1
1	Yen Jepang (JPY)	123,77	135,97	Japanese Yen (JPY)	1
1	Dolar Singapura (SGD)	10.554,67	10.606,18	Singapore Dollar (SGD)	1
1	Dolar Australia (AUD)	10.346,61	10.752,47	Australian Dollar (AUD)	1
1	Dolar Hong Kong (HKD)	1.828,03	1.812,30	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: (continued)

- b. 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 2021 and 2020 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

Bank menerapkan PSAK No. 46 (Revisi 2014) tentang "Pajak Penghasilan", yang mengharuskan Bank memperhitungkan konsekuensi pajak kini dan pajak di masa depan (penyelesaian) dari jumlah tercatat aset (liabilitas) yang diakui dalam laporan posisi keuangan dan transaksi-transaksi serta peristiwa lain yang terjadi dalam tahun berjalan.

Beban pajak terdiri dari pajak kini dan pajak tangguhan. Pajak diakui dalam laporan laba rugi dan penghasilan komprehensif lain, kecuali jika pajak tersebut terkait dengan transaksi atau kejadian yang langsung diakui ke ekuitas. Dalam hal ini, pajak tersebut masing-masing diakui dalam penghasilan komprehensif lain atau ekuitas.

Manajemen Bank mengevaluasi secara periodik implementasi terhadap peraturan perpajakan yang berlaku terutama yang memerlukan interpretasi lebih lanjut mengenai pelaksanaannya termasuk juga evaluasi terhadap surat ketetapan pajak yang diterima dari kantor pajak. Lebih lanjut, Bank membentuk cadangan, jika dianggap perlu berdasarkan jumlah yang diestimasikan akan dibayarkan ke kantor pajak.

Bank menerapkan metode liabilitas laporan posisi keuangan (*balance sheet liability method*) untuk menentukan beban pajak penghasilan. Menurut metode liabilitas laporan posisi keuangan, aset dan utang pajak tangguhan diakui untuk semua perbedaan temporer antara nilai aset dan liabilitas yang tercatat di laporan posisi keuangan dengan dasar pengenaan pajak atas aset dan liabilitas tersebut pada setiap tanggal pelaporan. Metode ini juga mensyaratkan adanya pengakuan manfaat pajak di masa datang yang belum digunakan apabila besar kemungkinan bahwa manfaat tersebut dapat direalisasikan di masa yang akan datang.

Aset pajak tangguhan diakui apabila terdapat kemungkinan besar bahwa jumlah laba fiskal pada masa datang akan memadai untuk mengkompensasi aset pajak tangguhan yang muncul akibat perbedaan temporer tersebut.

k. Pajak penghasilan

Pajak tangguhan dihitung dengan menggunakan tarif pajak yang berlaku atau secara substansial diberlakukan pada periode dimana aset tersebut direalisasi atau liabilitas tersebut diselesaikan. Perubahan nilai tercatat aset dan liabilitas pajak tangguhan yang disebabkan oleh perubahan tarif pajak dibebankan pada laporan laba rugi dan penghasilan komprehensif lain tahun berjalan, kecuali untuk transaksi-transaksi yang sebelumnya telah langsung dibebankan atau dikreditkan ke ekuitas.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
k. Income taxes

Bank apply SFAS No. 46 (Revised 2014) regarding "Income Tax" which requires Bank to account for the current and future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in the consolidated statement of financial position; and transactions and other events of the current period.

The tax expense comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Bank's management periodically evaluates the implementation of prevailing tax regulations especially those that are subject to further interpretation on its implementation, including evaluation on tax assessment letters received from tax authorities. Where appropriate the Bank establishes provisions based on the amounts expected to be paid to the tax authorities.

Bank applies the balance sheet liability method to determine income tax expense. Under the balance sheet liability method, deferred tax assets and liabilities are recognised for all temporary differences arising between the tax base of assets and liabilities and their carrying amount in the consolidated statement of financial position at each reporting date. This method also requires the recognition of future tax benefits, to the extent that realisation of such benefits is probable.

Deferred tax assets are recognised only to the extent that is probable that future taxable income will be sufficient against which the temporary differences can be utilised.

k. Income taxes

Deferred tax is calculated using tax rates enacted or substantively applied to the period during which the asset is realised or the liability is settled. The changes to the carrying value of deferred tax assets and liabilities due to the changes of tax rates are charged in the current year, except for transactions which previously have been directly charged or credited to equity.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
k. Pajak penghasilan (lanjutan)

Koreksi atas liabilitas pajak diakui pada saat surat ketetapan pajak diterima, atau apabila diajukan keberatan dan/atau banding, maka koreksi diakui pada saat keputusan atas keberatan dan/atau banding tersebut diterima. Manajemen juga dapat membentuk pencadangan terhadap liabilitas pajak di masa depan sebesar jumlah yang diestimasikan akan dibayarkan ke kantor pajak jika berdasarkan evaluasi pada tanggal laporan posisi keuangan terdapat risiko pajak yang *probable*. Asumsi dan estimasi yang digunakan dalam perhitungan pembentukan cadangan tersebut memiliki unsur ketidakpastian.

l. Sewa

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.

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
k. Income taxes (continued)

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the result of the appeal is determined. Management provides provision for future tax liability at the estimated amount that will be payable to the tax office if there is a probable tax exposure, based on management's assessment as of the date of statement of financial position. Assumptions and estimation used in the calculation of provision may involve element of uncertainty.

l. Leases

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 period options. The Bank would not determine a longer period than the maximum because there are no further contractual options to assess against any economic incentives.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)****I. Sewa (lanjutan)**

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.

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)****I. Leases (continued)**

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.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
m. Aset tetap (lanjutan)
m.3. Penyusutan

Tanah dinyatakan sebesar harga perolehan dan tidak disusutkan.

Penyusutan aset lain dihitung dengan menggunakan metode garis lurus untuk mengalokasikan harga perolehan atau jumlah revaluasi sampai dengan nilai sisanya selama masa manfaat yang diestimasi, sebagai berikut:

Bangunan
Perbaikan gedung
Perabot dan perlengkapan kantor

20 tahun/years
3-20 tahun/years
3-20 tahun/years

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.

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
m. Properties and equipments (continued)
m.3. Depreciation

Land is stated at cost and not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings
Buildings improvement
Office furniture and fixtures

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.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
o. Aset takberwujud (lanjutan)

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

Kerugian Kredit Ekspektasian ('*expected credit losses*' atau *ECL*) diakui untuk pinjaman kepada bank dan nasabah, *non-trading reverse repurchase agreements*, aset keuangan lainnya yang dimiliki pada biaya diamortisasi, instrumen-instrumen utang yang diukur pada nilai wajar melalui pendapatan komprehensif lainnya ('*FVOCI*'), dan komitmen pinjaman tertentu serta kontrak jaminan keuangan. Pada saat pengakuan awal, penyisihan (atau provisi dalam hal komitmen pinjaman dan jaminan keuangan) *ECL* dibentuk sebagai hasil dari peristiwa gagal bayar yang mungkin terjadi dalam kurun waktu 12 bulan kedepan ('*12-month ECL*'). Dalam hal terjadinya peningkatan risiko kredit yang signifikan, penyisihan (atau provisi) dibentuk untuk *ECL* yang berasal dari semua peristiwa gagal bayar yang mungkin terjadi sepanjang perkiraan umur instrumen keuangan ('*ECL sepanjang umur*'). Aset-aset keuangan dimana 12-bulan *ECL* diakui dianggap sebagai berada pada 'stage 1'; sementara aset-aset keuangan yang dianggap telah mengalami peningkatan signifikan dalam risiko kredit dikategorikan pada 'stage 2'; dan aset-aset keuangan yang mana terdapat bukti obyektif penurunan nilai sehingga dianggap sebagai kredit gagal bayar atau kredit memburuk adalah dikategorikan pada 'stage 3'.

Untuk aset yang diukur pada biaya perolehan diamortisasi, saldo di neraca mencerminkan aset bruto dikurangi kerugian kredit ekspektasian. Untuk instrumen utang dalam kategori *FVOCI*, saldo di neraca mencerminkan nilai wajar dari instrumen, dengan cadangan kerugian kredit ekspektasian dibukukan terpisah sebagai cadangan pada pendapatan komprehensif lain

Pengukuran ECL

Penilaian risiko kredit, dan estimasi *ECL*, adalah tidak bias dan probabilitas-tertimbang, dan menggabungkan semua informasi yang tersedia yang relevan terhadap penilaian termasuk informasi tentang peristiwa masa lalu, kondisi terkini dan prakiraan peristiwa masa depan yang wajar dan didukung dan kondisi ekonomi saat tanggal pelaporan. Sebagai tambahan, estimasi *ECL* harus memperhitungkan nilai waktu dari uang.

Secara umum, Bank menghitung *ECL* menggunakan 3 komponen utama: *probability of default* ('*PD*') - probabilitas gagal bayar, *loss given default* ('*LGD*') - kerugian akibat gagal bayar, dan *the exposure at default* ('*EAD*') - eksposur saat gagal bayar

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
o. Intangible assets (continued)

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

Expected credit losses ('*ECL*') are recognized for loans and advances to banks and customers, *non-trading reverse repurchase agreements*, other financial assets held at amortised cost, debt instrument measured at fair value through other comprehensive income ('*FVOCI*'), and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for *ECL* resulting from default events that are possible within the next 12 months ('*12-month ECL*'). In the event of a significant increase in credit risk, allowance (or provision) is required for *ECL* resulting from all possible default events over the expected life of the financial instrument ('*lifetime ECL*'). Financial assets where 12-month *ECL* is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

For assets measured at amortised cost, the balance sheet amount reflects the gross asset less the expected credit losses. For debt instruments held at *FVOCI*, the balance sheet amount reflects the instrument's fair value, with the expected credit loss allowance held as a separate reserve within other comprehensive income.

Measurement of ECL

The assessment of credit risk and the estimation of *ECL* are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of *ECL* should take into account the time value of money.

In general, the Bank calculates *ECL* using three main components: a probability of default, a loss given default ('*LGD*') and the exposure at default ('*EAD*').

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
**p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**
Pengukuran ECL (lanjutan)

ECL 12-bulan dihitung dengan perkalian PD 12-bulan, LGD dan EAD. ECL sepanjang umur dihitung menggunakan PD sepanjang umur. PD 12-bulan dan PD sepanjang umur merepresentasikan probabilitas terjadinya gagal bayar dalam 12 bulan kedepan dan sisa jangka waktu maturitas instrumen keuangan.

a. Probability of Default (PD)

Probabilitas yang timbul di suatu waktu dimana debitur mengalami gagal bayar, dikalibrasikan sampai dengan periode 12 bulan dari tanggal laporan (*Stage 1*) atau sepanjang umur (*Stage 2 dan 3*) dan digabungkan pada dampak asumsi ekonomi masa depan yang memiliki risiko kredit. PD diestimasi pada *point in time* dimana hal ini berfluktuasi sejalan dengan siklus ekonomi.

b. Loss Given Default (LGD)

Kerugian yang diperkirakan akan timbul dari debitur yang mengalami gagal bayar dengan menggabungkan dampak dari asumsi ekonomi masa depan yang relevan (jika ada) dimana hal ini mewakili perbedaan antara arus kas kontraktual yang akan jatuh tempo dengan arus kas yang diharapkan untuk diterima. Bank mengestimasi LGD berdasarkan data historis dari tingkat pemulihan dan memperhitungkan pemulihan yang berasal dari jaminan terhadap aset keuangan dengan mempertimbangkan asumsi ekonomi di masa depan jika relevan.

c. Exposure at Default (EAD)

Perkiraan nilai eksposur neraca pada saat gagal bayar dengan mempertimbangkan bahwa perubahan ekspektasi yang diharapkan selama masa eksposur. Hal ini menggabungkan dampak penarikan fasilitas yang *committed* pembayaran pokok dan bunga, amortisasi dan pembayaran dipercepat, bersama dengan dampak asumsi ekonomi masa depan jika relevan.

**Kerugian kredit ekspektasian 12 bulan
(Stage 1)**

ECL diakui pada saat pengakuan awal instrumen keuangan dan merepresentasikan kekurangan kas sepanjang umur aset yang timbul dari kemungkinan gagal bayar di masa yang akan datang dalam kurun waktu dua belas bulan sejak tanggal pelaporan. ECL terus ditentukan oleh dasar ini sampai timbul peningkatan risiko kredit yang signifikan pada instrumen tersebut atau instrumen tersebut telah mengalami penurunan nilai kredit. Jika suatu instrumen tidak lagi dianggap menunjukkan peningkatan risiko kredit yang signifikan, maka ECL dihitung kembali berdasarkan basis dua belas bulan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
**p. Identification and measurement of
impairment of financial assets (continued)**
Measurement of ECL (continued)

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the financial instrument respectively.

a. Probability of Default (PD)

The probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (*Stage 1*) or over the lifetime of the product (*Stage 2 and 3*) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk. PD is estimated at a point in time that means it will fluctuate in line with the economic cycle.

b. Loss Given Default (LGD)

The loss that is expected to arise on default, incorporating the impact of relevant forward looking economic assumptions (if any), which represents the difference between the contractual cash flows due and those that the Bank expects to receive. The Bank estimates LGD based on the historical recovery rates and considers the recovery of any collateral that is integral to the financial assets, taking into account forward looking economic assumptions if relevant.

c. Exposure at Default (EAD)

The expected balance sheet exposure at the time of default, taking into account that expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments, together with the impact of forward looking economic assumptions where relevant.

12-month expected credit losses (Stage 1)

ECL are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to twelve months into the future from the reporting date. ECL continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, ECL will revert to being determined on a 12-month basis.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
**p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**
Pengukuran ECL (lanjutan)
**Peningkatan risiko kredit yang signifikan
(Stage 2)**

Jika aset keuangan mengalami peningkatan risiko kredit yang signifikan ("SICR") sejak pengakuan awal, kerugian kredit ekspektasian diakui atas kejadian gagal bayar yang mungkin terjadi sepanjang umur aset. Peningkatan signifikan dalam risiko kredit dinilai dengan membandingkan risiko gagal bayar terjadi pada tanggal pelaporan dibandingkan pada saat pengakuan awal, dengan memperhitungkan informasi yang wajar dan terdukung, termasuk informasi tentang peristiwa masa lalu, kondisi terkini dan kondisi ekonomi masa depan. Analisa risiko kredit adalah multifaktor dan penentuan apakah suatu faktor spesifik adalah relevan dan bobotnya dibanding dengan faktor-faktor lain bergantung pada tipe produk, karakteristik instrumen keuangan dan debitur, serta area geografis. Oleh karena itu, tidak mungkin untuk menyediakan satu set kriteria yang akan menentukan apa yang dianggap sebagai peningkatan signifikan dalam risiko kredit dan kriteria ini akan berbeda untuk tipe pinjaman yang berbeda, khususnya antara ritel dan *wholesale*. Akan tetapi, kecuali telah diidentifikasi lebih awal, semua aset keuangan dianggap telah mengalami peningkatan signifikan dalam risiko kredit ketika telah 30 hari menunggak.

Bank menggunakan berbagai pengukuran kualitatif dan kuantitatif dalam menilai SICR seperti berikut:

Wholesale Banking
a. Kriteria kuantitatif

Peningkatan yang signifikan pada risiko kredit diinstrumen keuangan diidentifikasi dengan melihat pada perubahan risiko gagal bayar debitur antara penurunan nilai pada tanggal pelaporan dengan tanggal awal mulai instrument. Peningkatan risiko kredit diukur dengan membandingkan estimasi RAT FPD (*Residual Term Average – Forward Probability of Default*) pada instrument awal (RAT FPD awal) dengan RAT FPD pada periode pelaporan (RAT FPD pelaporan) dan menentukan apakah pergerakan antara keduanya melebihi ambang batas peningkatan signifikan dalam risiko kredit.

Perubahan CRR antara tanggal awal dan tanggal pelaporan, untuk melihat apakah perubahannya sudah melebihi ambang batas yang sudah ditentukan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
**p. Identification and measurement of
impairment of financial assets (continued)**
Measurement of ECL (continued)
Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk ("SICR") since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset. Significant increase in credit risk is assessed by comparing the risk of default occurring at the reporting date compared to that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The analysis of credit risk is multifactor and the determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

The Bank uses a number of qualitative and quantitative measures in assessing SICR as follows:

Wholesale Banking
a. Quantitative criteria

The significant increase in Credit Risk of financial instruments is quantified by looking at changes in obligors default risk between the impairment reporting data and the instrument's start data. The increase in credit risk is measured by comparing the RAT FPD (*Residual Term Average – Forward Probability of Default*) estimated at instrument origination (Origination RAT FPD) against RAT FPD at reporting period (Reporting RAT FPD) and determining if the movement between the two exceeds the significant increase in credit risk threshold.

CRR changes between origination and reporting data, to see whether the movement already exceed the threshold determined.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
**p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**
**Peningkatan risiko kredit yang signifikan
(Stage 2) (lanjutan)**

Bank menggunakan berbagai pengukuran kualitatif dan kuantitatif dalam menilai SICR seperti berikut: (lanjutan)

Wholesale Banking (lanjutan)
b. Kriteria kualitatif

Semua debitur yang digolongkan sebagai *Worry* atau *Watch* pada akhir periode pelaporan harus dialokasikan ke stage 2 untuk dilakukan perhitungan ECL sepanjang umur terlepas dari apakah indikator utama yang merupakan peningkatan signifikan dalam ambang batas risiko kredit telah dilanggar atau tidak. Ini juga mencakup semua fasilitas baru yang dapat diberikan kepada debitur setelah dimasukkan dalam daftar WWM (*Watch Worry Monitor*).

Semua instrument yang menunggak 30 hari pada akhir periode pelaporan harus dialokasikan ke stage 2 untuk dilakukan perhitungan ECL sepanjang umur, terlepas dari apakah indikator utama yang merupakan peningkatan signifikan dalam ambang batas risiko kredit telah dilanggar atau tidak, atau debitur ditempatkan pada daftar *Worry* atau *Watch*.

Retail Banking
a. Kriteria kuantitatif

Akun-akun dengan 30 hari tunggakan (DPD) atau yang masuk dalam segmen yang berada di bawah *marginal* segmen dianggap telah mengalami peningkatan risiko kredit yang signifikan. Segmentasi dilakukan secara berkala dengan menggunakan (namun tidak terbatas pada) DPD, behavior score maupun sisa jangka waktu pinjaman

b. Kriteria kualitatif

Debitur dengan DPD kurang dari 30 hari yang telah di restrukturisasi atau berada dalam indikasi awal Risiko Tinggi pada portofolio Retail dianggap memiliki kenaikan signifikan atas kredit risiko.

Khusus untuk debitur yang terkena dampak COVID-19 dan dalam program restrukturisasi COVID-19, maka untuk perhitungan ECL tidak secara otomatis memicu peningkatan risiko kredit yang signifikan.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
**p. Identification and measurement of
impairment of financial assets (continued)**
**Significant increase in credit risk (Stage 2)
(continued)**

The Bank uses a number of qualitative and quantitative measures in assessing SICR as follows: (continued)

Wholesale Banking (continued)
b. Qualitative criteria

All debtors classified as *Worry* or *Watch* at the end of reporting period must be allocated to stage 2 in order to receive a lifetime ECL calculation, irrespective of whether the primary indicator has breached the significant increase in credit risk threshold or not. This will also include any facilities that may be granted to the obligor after being put on the WWM (*Watch Worry Monitor*) list.

All instruments that are 30 days in arrears at the end of reporting period must be allocated to stage 2 in order to receive a lifetime ECL calculation, irrespective of whether or not the primary indicator has breached the significant increase in credit risk threshold, or the obligor has been placed on the *Worry* or *Watch* list.

Retail Banking
a. Quantitative criteria

Accounts that are 30 days past due (DPD) or accounts below marginal segment are considered to have experienced a significant increase in credit risk. Periodically segmentation performed based on (but not limited to) DPD, behavior score or remaining tenure of the loan.

b. Qualitative criteria

Debtors with DPD less than 30 days which have been restructured or included in High Risk early indicator in Retail portfolio is considered to have a significant increase in credit risk.

Specifically, for debtors impacted by COVID-19 and under COVID-19 restructuring program, in term of the ECL calculation, it may not automatically trigger a significant increase in credit risk.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)****p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)****Eksposur yang mengalami penurunan nilai
kredit atau gagal bayar (Stage 3)**

Bank menentukan bahwa suatu instrumen keuangan mengalami kredit memburuk dan masuk ke 'stage 3' dengan mempertimbangkan bukti obyektif yang relevan, terutama apakah pembayaran kontraktual pokok ataupun bunga telah menunggak lebih dari 90 hari, apakah ada indikasi lain bahwa peminjam kemungkinan tidak dapat membayar seperti diberikannya konsesi kepada peminjam untuk alasan ekonomik atau hukum sehubungan dengan kondisi keuangan peminjam, atau pinjaman dianggap telah gagal bayar. Jika kemungkinan tidak dapat membayar tidak teridentifikasi pada tingkat awal, hal ini dianggap terjadi ketika eksposur telah 90 hari menunggak. Oleh karena itu definisi kredit memburuk dan gagal bayar disesuaikan sejauh mungkin sehingga stage 3 mewujudkan semua pinjaman yang dianggap telah gagal bayar atau kredit memburuk.

Pendapatan bunga diakui dengan mengaplikasikan suku bunga efektif pada jumlah biaya diamortisasi, yaitu jumlah tercatat bruto dikurangi penyisihan ECL.

Periode ECL diukur

Maksimum periode yang dipertimbangkan ketika mengukur ECL (12-bulan ataupun sepanjang umur) adalah periode maksimum kontraktual Bank terekspos risiko kredit. Akan tetapi, dimana instrumen keuangan termasuk komitmen yang telah ditarik maupun yang belum ditarik dan kemampuan kontraktual untuk meminta pembayaran kembali dan membatalkan komitmen yang belum ditarik tidak membantu membatasi eksposur Bank atas risiko kredit ke periode notifikasi kontraktual, maka periode kontraktual tidak menentukan periode maksimum yang dipertimbangkan. Melainkan, ECL diukur selama periode Bank tetap terekspos ke risiko kredit yang tidak dimitigasi oleh aksi manajemen risiko kredit.

Input ekonomik forward-looking

Bank menerapkan beberapa skenario ekonomik global *forward-looking* yang ditentukan dengan referensi kepada distribusi prakiraan eksternal yang merepresentasikan prakiraan kondisi ekonomi. Pendekatan tersebut dinilai memadai untuk menghitung kerugian ekspektasian yang tidak bias didalam berbagai lingkungan ekonomi. Dalam kondisi ekonomi tertentu, analisa tambahan diperlukan untuk memperoleh skenario-skenario tambahan, untuk mencerminkan berbagai kemungkinan-kemungkinan keluaran ekonomik yang memadai untuk estimasi yang tidak bias.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)****p. Identification and measurement of
impairment of financial assets (continued)****Credit impaired (or defaulted) exposures
(Stage 3)**

The Bank determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 90 days, whether there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition, or the loan is otherwise considered to be in default. If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

Period over which ECL is measured

The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Bank is exposed to credit risk. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the Bank's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the Bank remains exposed to credit risk that is not mitigated by credit risk management actions.

Forward-looking economic inputs

The Bank applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)****p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)****Input ekonomik forward-looking (lanjutan)**

Akun kredit bermasalah dikelola oleh unit LMU. Ketika ada sejumlah kewajiban debitur yang dianggap tidak bisa diselesaikan, maka cadangan kerugian penurunan nilai kredit Stage 3 akan dibuat. Cadangan kerugian penurunan nilai Stage 3 ini adalah selisih antara jumlah pinjaman yang tercatat dan probabilitas tertimbang nilai sekarang dari estimasi arus kas masa depan yang telah dihitung menggunakan minimum dua skenario (antara lain dari hasil penyelesaian membaik, memburuk, sentral atau perkiraan dasar serta terburuk) dimana Bank akan memberikan bobot probabilitas individu untuk setiap skenario pemulihan yang diidentifikasi berdasarkan rencana *workout* untuk masing-masing debitur individu. Proyeksi arus kas juga mencakup jaminan yang dapat direalisasi, nilai-nilai yang digunakan akan memperhitungkan dampak dari informasi ekonomi di masa mendatang (*forward looking*). Keadaan dari masing-masing debitur secara individu dipertimbangkan ketika LMU memperkirakan arus kas masa depan dan kapan penyelesaian kewajiban diterima dengan memasukkan unsur pertimbangan yang signifikan.

Komitmen Kredit dan Jaminan Keuangan

Kerugian kredit ekspektasian atas komitmen kredit yang diberikan dan jaminan keuangan diakui pada liabilitas lain-lain. Jika instrumen keuangan mencakup komponen aset keuangan dan komitmen yang belum ditarik dan tidak dapat dipisahkan atas kerugian kredit ekspektasian pada komponen ini, jumlah kerugian kredit atas komitmen tersebut diakui bersamaan dengan kerugian kredit atas aset keuangan. Dalam kondisi jumlah kerugian kredit ekspektasian gabungan melebihi jumlah tercatat bruto dari aset keuangan, maka kerugian kredit ekspektasian diakui sebagai liabilitas lain-lain.

**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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)****p. Identification and measurement of
impairment of financial assets (continued)****Forward-looking economic inputs (continued)**

Credit impaired accounts are managed by LMU unit. Where any amount is considered irrecoverable, a Stage 3 credit impairment provision is raised. This Stage 3 provision is the difference between the loan carrying amount and the probability weighted present value of estimated future cash flows, reflecting minimum 2 scenarios (among others typically the upside, downside, central or base case, and worst outcomes) where the Bank assigns individual probability weighting for each recovery scenario that has been identified based on the workout plan for each individual debtor. The cash flows projection includes realisable collateral, the values used will incorporate the impact of forward looking economic information. The individual circumstances of each debtor are considered when LMU estimates future cash flows and timing of future recoveries which involve significant judgment.

Loan Commitment and Financial Guarantee

Expected credit loss on loan commitments and financial guarantees is recognised as other liabilities. Where a financial instrument includes both financial asset and an undrawn commitment and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit loss is recognised as other liabilities.

**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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)****q. Identifikasi, pengukuran penurunan nilai dan
pengukuran nilai wajar aset non-keuangan
(lanjutan)**

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.

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)****q. Identification, measurement of impairment
and fair value of non-financial assets
(continued)**

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.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)****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).

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)****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).

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
t. Imbalan kerja (lanjutan)
**t.2. Liabilitas pembayaran berbasis saham
(lanjutan)**

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.

Liabilitas imbalan pensiun Bank dihitung dengan membandingkan manfaat yang akan diterima oleh karyawan dari program pensiun pada usia pensiun normal dengan manfaat yang akan diterima berdasarkan UU Ketenagakerjaan No. 13/2003 dimana telah diperbaharui menggunakan UU Cipta Kerja No 11/2020 berdasarkan Perjanjian Kerja Bersama yang telah diperbaharui pada akhir 2021 setelah dikurangi dengan akumulasi kontribusi karyawan dan hasil investasinya. Apabila manfaat pensiun lebih kecil dari pada manfaat menurut UU Cipta Kerja No 11/2020, maka Bank membayar 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
t. Employee benefits (continued)
**t.2. Share-based payment liabilities
(continued)**

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.

Bank's pension liability has been calculated by comparing the benefit that will be received by an employee at normal pension age from the Pension Plans with the benefit as stipulated under the Labor Law No. 13/2003 which has been updated using the Job Creation Act No. 11/2020 based on the Collective Labor Agreement which was renewed at the end of 2021 after deducting accumulated employee contributions and the results of its investments. If the pension benefit from the Pension Plans is less than the benefit as required by the Job Creation Act No. 11/2020, the Bank will have to pay 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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
t. Imbalan kerja (lanjutan)
t.3. Liabilitas imbalan pasca-kerja (lanjutan)

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.

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
t. Employee benefits (continued)
**t.3. Post-employment benefits obligation
(continued)**

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.

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.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)****t. Imbalan kerja (lanjutan)****t.4. Provisi pemutusan hubungan kerja
(lanjutan)**

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.
- iii) Jika dampak nilai waktu bersifat material, Provisi diukur sebesar nilai kini dari estimasi terbaik manajemen atas pengeluaran yang diperkirakan diperlukan untuk menyelesaikan kewajiban kini pada akhir periode pelaporan. Tingkat diskonto yang digunakan untuk menentukan nilai kini adalah tingkat diskonto sebelum pajak yang mencerminkan penilaian pasar atas nilai waktu uang dan risiko yang terkait dengan kewajiban. Peningkatan provisi karena berjalannya waktu diakui sebagai beban bunga.

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 (continued)**

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.

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.
- iii) Where the effect of the time value of money is material, provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense

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 bunga atas aset keuangan baik yang diukur dengan nilai wajar melalui penghasilan komprehensif lain atau biaya perolehan diamortisasi dan beban bunga atas seluruh liabilitas keuangan yang diukur dengan biaya perolehan diamortisasi, diakui pada laba rugi berdasarkan suku bunga efektif.

y. Pendapatan dan beban provisi dan komisi

Pendapatan dan beban provisi dan komisi yang signifikan dan merupakan bagian integral dari suku bunga efektif atas aset keuangan atau liabilitas keuangan dimasukkan dalam perhitungan suku bunga efektif.

Pendapatan dan beban provisi dan komisi lainnya, termasuk pendapatan provisi yang terkait kegiatan ekspor impor, pendapatan provisi atas manajemen kas, pendapatan provisi atas jasa dan/atau mempunyai jangka waktu tertentu dan jumlahnya signifikan, diakui sebagai pendapatan ditangguhkan/beban dibayar dimuka dan diamortisasi dengan menggunakan metode garis lurus selama jangka waktunya; jika tidak, pendapatan dan beban provisi dan komisi lainnya langsung diakui pada saat jasa diberikan. Atas komitmen kredit yang tidak diharapkan adanya penarikan kredit, provisi dari komitmen kredit tersebut diakui berdasarkan metode garis lurus selama jangka waktu komitmen.

Beban provisi dan komisi lainnya yang terutama terkait dengan provisi transaksi antar bank diakui sebagai beban pada saat jasa tersebut diterima.

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.

aa. Dividen

Pembagian dividen diakui sebagai liabilitas ketika dividen tersebut dideklarasikan dan disetujui oleh Rapat Umum Pemegang Saham.

ab. Dampak reformasi IBOR

Setelah krisis keuangan, reformasi dan penggantian suku bunga acuan seperti USD LIBOR dan *inter-bank offered rates* ("IBOR") yang lain telah menjadi prioritas bagi regulator global. Masih terdapat beberapa ketidakpastian seputar waktu dan sifat yang tepat dari perubahan ini. Bank saat ini memiliki sejumlah kontrak yang mengacu pada USD LIBOR dan melampaui tahun 2021.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
x. Interest income and expenses

Interest income for financial assets held at either fair value through other comprehensive income or amortised cost and interest expense on all financial liabilities held at amortised cost are recognised in profit or loss using the effective interest method.

y. Fees and commissions income and expenses

Significant fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income and expenses, including export import related fees, cash management fees, service fees and/or related to a specific period and the amount is significant, are recognised as unearned income/prepaid expenses and amortised based on the straight-line method over the terms of the related transactions; otherwise, they are directly recognised as the related services are performed. For loan commitments where there is no expected loan drawdown, the loan commitment provisions are recognised on a straight-line basis over the commitment period.

Other fees and commission expense which are mainly related to inter-bank transaction fees are expensed as the services are received.

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.

aa. Dividen

Pembagian dividen diakui sebagai liabilitas ketika dividen tersebut dideklarasikan dan disetujui oleh Rapat Umum Pemegang Saham.

ab. Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and interbank offered rates ('IBORs') other has become a priority for global regulators. There remains some uncertainty around the timing and precise nature of these changes. The Bank currently has a number of contracts which reference USD LIBOR and extend beyond 2021.

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**3. IKHTISAR KEBIJAKAN AKUNTANSI YANG
PENTING (lanjutan)**
ab. Dampak reformasi IBOR (lanjutan)

Kontrak-kontrak ini diungkapkan dalam tabel di bawah ini.

	2021	
	Aset / Assets	Liabilitas / Liabilities
Pinjaman Bank	-	(1.068.937)
Kredit	7.621	-
Total aset dan liabilitas yang terekspos terhadap USD LIBOR	7.621	(1.068.937)
Instrumen keuangan derivatif (nosional)	8.685.726	-

Saat ini diekspektasikan SOFR (Secured Overnight Financing Rate) akan menggantikan LIBOR USD. Terdapat perbedaan utama antara USD LIBOR dan SOFR. USD LIBOR adalah 'term rate', yang berarti diterbitkan untuk periode pinjaman (seperti: tiga bulanan atau enam bulanan) dan 'forward looking', karena diterbitkan pada awal periode pinjaman. Sementara SOFR merupakan 'backward-looking' rates berdasarkan overnight rates dari transaksi aktual, dan diterbitkan pada akhir periode overnight borrowing. Selanjutnya, LIBOR mencakup spread kredit di atas tingkat bebas risiko, yang saat ini tidak dimiliki oleh SOFR. Untuk transisi dari kontrak dan perjanjian kini yang merujuk pada USD LIBOR ke SOFR, penyesuaian untuk perbedaan jangka waktu dan perbedaan kredit mungkin perlu diterapkan ke SOFR, untuk memungkinkan kedua suku bunga acuan menjadi setara secara ekonomi pada transisi.

Pada saat pelaporan, Bank sedang meninjau metodologi untuk menghitung penyesuaian antara LIBOR USD dan SOFR.

Selama tahun 2021, Bank menetapkan rencana proyek transisi LIBOR USD. Proyek transisi ini sedang mempertimbangkan perubahan pada sistem, proses, manajemen risiko dan model penilaian, serta mengelola implikasi pajak dan akuntansi terkait. Pada tanggal 31 Desember 2021, perubahan yang diperlukan pada sistem dan model masih dalam tahap perencanaan sementara perubahan dalam proses telah berjalan sesuai rencana internal Bank. Ada komunikasi umum dengan swap dan debt counterparties, tetapi perubahan spesifik yang diperlukan oleh reformasi IBOR belum disepakati. Risiko yang timbul dari transisi terutama terkait dengan potensi dampak perbedaan suku bunga jika utang dan kontrak swap terkait tidak beralih ke suku bunga acuan baru pada saat yang sama dan/atau suku bunga bergerak dengan jumlah yang berbeda. Hal ini dapat mengakibatkan beban kas bersih ke Bank sebagai akibat dari transisi IBOR, khususnya di mana transisi swap di bawah protokol International Swaps and Derivative Association ('ISDA') pada tanggal yang lebih awal.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**
ab. Effect of IBOR reform (continued)

These contracts are disclosed within the table below.

Bank Borrowings
Loans
Total assets and liabilities exposed to USD LIBOR
Derivative financial instruments (notional)

It is currently expected that SOFR (Secured Overnight Financing Rate) will replace USD LIBOR. There remain key differences between USD LIBOR and SOFR. USD LIBOR is a 'term rate', which means that it is published for a borrowing period (such as: three months or six months) and is 'forward looking', because it is published at the beginning of the borrowing period. SOFR is currently a 'backward-looking' rate, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, which SOFR currently does not. To transition existing from contracts and agreements that reference USD LIBOR to S'OFr, adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

At the time of reporting, the Bank is reviewing methodologies for calculating adjustments between USD LIBOR and SOFR.

During 2021, the Bank established a USD LIBOR transition project plan. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing any related tax and accounting implications. As at 31 December 2021, changes required to systems, and models are still in the planning phase, while changes in processes are progressing on – track as per the Bank's internal plan. There have been general communications with swap and debt counterparties, but specific changes required by IBOR reform have not yet been agreed. Risks arising from the transition relate principally to the potential impact of rate differences if the debt and related swaps contracts do not transition to the new benchmark interest rate at the same time and/or the rates move by different amounts. This could result in a net cash expense to the Bank as a result of IBOR transition, in particular where swaps transition under the International Swaps and Derivative Association ('ISDA') protocols at an earlier date.

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4. MANAJEMEN RISIKO**a. Pendahuluan dan gambaran umum**

Bank memiliki eksposur terhadap risiko-risiko utama 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.

Direksi memiliki tanggung jawab penuh atas penetapan dan pengawasan kerangka manajemen risiko Bank untuk memastikan bahwa risiko Bank telah dikelola dengan tepat.

Kerangka manajemen risiko

Manajemen telah membentuk:

- Komite Audit;
- Komite Pemantau Risiko;
- *Assets and Liabilities Committee* (ALCO);
- Komite Manajemen Risiko;
- Komite Manajemen Risiko Terintegrasi.

Komite Audit dan Komite Pemantau Risiko masing-masing melapor kepada Dewan Komisaris (BOC), sedangkan ALCO dan RMC melapor kepada Direksi (BOD) atas kegiatannya.

Selain itu, Bank juga telah membentuk Satuan Kerja Manajemen Risiko yang bertanggung jawab untuk mengembangkan dan memantau kebijakan manajemen risiko Bank atas masing-masing areanya.

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.

Sesuai dengan Peraturan OJK mengenai Implementasi *Good Corporate Governance* bagi Bank Umum, Komite Audit memiliki tanggung jawab paling sedikit:

4. RISK MANAGEMENT**a. Introduction and overview**

The Bank has exposure to the following main risks:

- *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.

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.

Risk management framework

The Management has established:

- *Audit Committee;*
- *Risk Oversight Committee;*
- *Assets and Liabilities Committee (ALCO);*
- *Risk Management Committee (RMC);*
- *Integrated Risk Management Committee.*

Respectively, Audit Committee and Risk Oversight Committee report to the Board of Commissioners (BOC), while ALCO and RMC report to the Board of Directors (BOD) on their activities.

In addition, Bank has also established Risk Management Working Unit who are responsible for developing and monitoring the Bank's risk management policies in their specified areas.

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.

Subject to OJK regulation concerning the Implementation of Good Corporate Governance for Commercial Bank, Audit Committee has main responsibilities at least:

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4. MANAJEMEN RISIKO (lanjutan)**a. Pendahuluan dan gambaran umum (lanjutan)****Kerangka manajemen risiko (lanjutan)**

Sesuai dengan Peraturan OJK mengenai Implementasi *Good Corporate Governance* bagi Bank Umum, Komite Audit memiliki tanggung jawab paling sedikit: (lanjutan)

- (i) Melakukan pemantauan dan evaluasi atas perencanaan dan pelaksanaan audit serta pemantauan atas tindak lanjut hasil audit dalam rangka menilai kecukupan pengendalian internal, termasuk kecukupan proses pelaporan keuangan;
- (ii) Dalam rangka melaksanakan tugas sebagaimana dimaksud pada di atas, Komite Audit wajib melakukan pemantauan dan evaluasi paling sedikit terhadap:
 - a. Pelaksanaan tugas satuan kerja audit intern.
 - b. Kesesuaian pelaksanaan audit oleh kantor akuntan publik dengan standar audit.
 - c. Kesesuaian laporan keuangan dengan standar akuntansi keuangan.
 - d. Pelaksanaan tindak lanjut oleh Direksi atas hasil temuan satuan kerja audit intern, akuntan publik, dan hasil pengawasan Otoritas Jasa Keuangan, guna memberikan rekomendasi kepada Dewan Komisaris;
- (iii) Komite Audit wajib memberikan rekomendasi mengenai penunjukan akuntan publik dan kantor akuntan publik kepada Dewan Komisaris untuk disampaikan kepada RUPS.

Komite Pemantau Risiko memiliki tanggung jawab utama antara lain adalah:

- (i) Evaluasi tentang kesesuaian antara kebijakan manajemen risiko dengan pelaksanaan kebijakan Bank;
- (ii) Pemantauan dan evaluasi pelaksanaan tugas komite manajemen risiko dan satuan kerja manajemen risiko guna memberikan rekomendasi kepada Dewan Komisaris dalam hal:
 - a. Perihal yang Terkait Risiko
 - b. *Risk Appetite*
 - c. *Stress Testing*
 - d. Kerangka *Enterprise Risk Management* dan Sistem Pengendalian Intern
 - e. Direktur Manajemen Risiko dan Fungsi Manajemen Risiko
 - f. Audit Intern
 - g. Audit Ekstern
 - h. Laporan Tahunan.

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:

4. RISK MANAGEMENT (continued)**a. Introduction and overview (continued)****Risk management framework (continued)**

Subject to OJK regulation concerning the Implementation of *Good Corporate Governance* for Commercial Bank, Audit Committee has main responsibilities at least: (continued)

- (i) 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;
- (ii) 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;
- (iii) 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.

The Risk Oversight Committee has main responsibilities among others are:

- (i) Evaluation to the conformity between policy on risk management and implementation of policies of the Bank;
- (ii) 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 on:
 - a. Risk-Related Matter
 - b. *Risk Appetite*
 - c. *Stress Testing*
 - d. *Enterprise Risk Management Framework and Internal Control System*
 - e. *Risk Management Director and Risk Management Function*
 - f. *Internal Audit*
 - g. *External Audit*
 - h. *Annual Report*.

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:

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4. MANAJEMEN RISIKO (lanjutan)**a. Pendahuluan dan gambaran umum (lanjutan)****Kerangka manajemen risiko (lanjutan)**

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: (lanjutan)

- (i) memberikan arahan dan meyakinkan penerapan strategi untuk mengelola komposisi posisi keuangan dan struktur pendanaan Bank pada kondisi normal dan stress;
- (ii) memantau 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.

Komite Manajemen Risiko dibentuk dengan tanggung jawab mencakup, di antaranya adalah:

- (i) Untuk mendapatkan informasi, Diskusi, Mempertimbangkan, dan membahas risiko utama yang material dan isu utama serta tema umum yang diidentifikasi oleh Bank;
- (ii) Untuk melakukan kajian dan memberikan rekomendasi kepada Direksi terkait manajemen risiko yang paling sedikit meliputi: a.) penyusunan kebijakan, strategi, dan pedoman penerapan Manajemen Risiko beserta perubahannya, b.) perbaikan atau penyempurnaan pelaksanaan Manajemen Risiko berdasarkan hasil evaluasi, c.) penetapan hal-hal yang terkait dengan keputusan bisnis dengan deviasi dari prosedur normal;
- (iii) Untuk mempertimbangkan laporan-laporan yang relevan dan informasi terkini terkait isu dan risiko utama Bank juga di seluruh 3 lini pertahanan, memberikan kewenangan untuk kajian lanjutan jika dibutuhkan;
- (iv) Mempromosikan dan menurunkan budaya yang mendukung manajemen risiko dan pengendalian, dan juga memastikan praktik manajemen risiko bank mendukung hasil berperilaku.

4. RISK MANAGEMENT (continued)**a. Introduction and overview (continued)****Risk management framework (continued)**

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: (continued)

- (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.

The Risk Management Committee is established with having, among others, the following responsibilities:

- (i) To be informed, discuss, consider, and address material key risks and enterprise wide key issues as well as common themes identified across the Bank;
- (ii) To perform assessment and provide recommendation to the BOD with respect to risk management which at least covering: a.) formulation of risk management policy, strategy, and guidance with its amendments, b.) enhancement or improvement of risk management implementation based on evaluation, c.) establish guidelines related to business decisions which deviate from normal procedures;
- (iii) To consider relevant reports and updates pertaining to the key risks and issues across the Bank and across all the three lines of defence, commissioning further review where required;
- (iv) To promote and cascade supportive culture in relation to risk management and controls as well as to ensure bank's risk management practices support the conduct outcomes.

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4. MANAJEMEN RISIKO (lanjutan)**a. Pendahuluan dan gambaran umum (lanjutan)****Kerangka manajemen risiko (lanjutan)**

Komite Manajemen Risiko dibentuk dengan tanggung jawab mencakup, di antaranya adalah: (lanjutan)

- (v) Untuk melakukan kajian dan memberikan rekomendasi kepada Direksi terkait manajemen risiko yang paling sedikit meliputi: a.) penyusunan kebijakan, strategi, dan pedoman penerapan Manajemen Risiko beserta perubahannya, b.) perbaikan atau penyempurnaan pelaksanaan Manajemen Risiko berdasarkan hasil evaluasi, c.) penetapan hal-hal yang terkait dengan keputusan bisnis dengan deviasi dari prosedur normal;
- (vi) Untuk mempertimbangkan laporan-laporan yang relevan dan informasi terkini terkait isu dan risiko utama Bank juga di seluruh 3 lini pertahanan, memberikan kewenangan untuk kajian lanjutan jika dibutuhkan;
- (vii) Mempromosikan dan menurunkan budaya yang mendukung manajemen risiko dan pengendalian, dan juga memastikan praktik manajemen risiko bank mendukung hasil berperilaku.

Satuan Kerja Manajemen Risiko Bank bertanggung jawab dalam penerapan manajemen risiko yang mencakup:

- (i) pengawasan aktif dan manajemen proaktif dari Dewan Komisaris dan/atau Direksi terhadap profil risiko Bank dan eksposurnya melalui rapat komite secara berkala;
- (ii) penetapan kebijakan dan prosedur dan limit risiko termasuk penelaahan berkala ;
- (iii) pengimplementasian kerangka kerja manajemen risiko yang mencakup proses identifikasi, penilaian, pemantauan dan pengendalian risiko untuk menjaga tingkat kerugian risiko 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.

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.

4. RISK MANAGEMENT (continued)**a. Introduction and overview (continued)****Risk management framework (continued)**

The Risk Management Committee is established with having, among others, the following responsibilities: (continued)

- (v) To perform assessment and provide recommendation to the BOD with respect to risk management which at least covering: a.) formulation of risk management policy, strategy, and guidance with its amendments, b.) enhancement or improvement of risk management implementation based on evaluation, c.) establish guidelines related to business decisions which deviate from normal procedures;
- (vi) To consider relevant reports and updates pertaining to the key risks and issues across the Bank and across all the three lines of defence, commissioning further review where required;
- (vii) To promote and cascade supportive culture in relation to risk management and controls as well as to ensure bank's risk management practices support the conduct outcomes.

The Bank's Risk Management Working Unit is responsible for applying risk management which comprises:

- (i) active oversight and pro-active management from Board of Commissioners and/or Directors over Bank's risk profiles and its exposures through regular committee meetings;
- (ii) establishment of risk policies and procedures and risk appetite including its regular reviews ;
- (iii) implementation of risk management framework that comprises the identification, assessment, monitoring, and mitigation of 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.

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.

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4. MANAJEMEN RISIKO (lanjutan)**b. Risiko kredit (lanjutan)**

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 Direksi 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.

Asumsi dan pertimbangan utama dalam menentukan kerugian kredit ekspektasian**Umur Aset Keuangan**

Kerugian kredit ekspektasian diestimasikan berdasarkan periode dimana Bank terpapar pada risiko kredit. Untuk produk *non-revolving*, hal ini sama dengan periode kontrak. Untuk produk *revolving*, Bank tidak mengikuti periode kontrak, yang dapat sesingkat satu hari. Oleh karena itu, periode dimana Bank terpapar pada risiko kredit untuk instrumen ini adalah berdasarkan *behavioural life*, yang menggabungkan ekspektasi perilaku nasabah dan/atau sejauh mana tindakan manajemen risiko kredit membatasi periode paparan tersebut. Pada umumnya, produk revolving memiliki 12-60 bulan *lifetime* tergantung pada jenis produk.

Variabel Makro Ekonomi ("MEV")

Lingkungan ekonomi yang berkembang adalah penentu utama dari kemampuan nasabah Bank untuk memenuhi kewajiban mereka saat jatuh tempo. Ini adalah prinsip dasar PSAK 71 bahwa potensi kerugian kredit di masa depan harus bergantung tidak hanya pada kesehatan ekonomi saat ini, tetapi juga harus memperhitungkan kemungkinan perubahan pada lingkungan ekonomi. Misalnya, jika Bank mengantisipasi perlambatan tajam dalam ekonomi dunia, Bank harus membentuk lebih banyak cadangan hari ini untuk menyerap kerugian kredit yang kemungkinan akan terjadi dalam waktu dekat.

4. RISK MANAGEMENT (continued)**b. Credit risk (continued)**

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 Directors 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.

Key assumptions and judgments in determining expected credit loss**Lifetime of Financial Assets**

Expected credit loss is estimated based on the period over which the Bank is exposed to credit risk. For non-revolving product, this equates to the contractual period. For revolving product, the Bank does not follow the contractual period, which can be as short as one day. Therefore, the period over which the Bank is exposed to credit risk for these instruments is based on their behavioural life, which incorporates expectations of customer behaviour and/or the extent to which credit risk management actions curtails the period of that exposure. In general, revolving products have 12-60 month lifetime, depend on the type of product.

Macro Economic Variable ("MEV")

The developing economic environment is the key determinant of the ability of a Bank's customers to meet their obligations as they fall due. It is a fundamental principle of SFAS 71 that the potential future credit losses should depend not just on the health of the economy today, but should also take into account potential changes to the economic environment. For example, if the Bank was to anticipate a sharp slowdown in the world economy, Bank should make more provisions today to absorb the credit losses likely to occur in the near future.

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4. MANAJEMEN RISIKO (lanjutan)**b. Risiko kredit (lanjutan)**

Asumsi dan pertimbangan utama dalam menentukan kerugian kredit ekspektasian (lanjutan)

Variabel Makro Ekonomi ("MEV") (lanjutan)

Untuk menangkap efek perubahan pada lingkungan ekonomi, model PD digunakan untuk menghitung kerugian kredit ekspektasian, dengan memasukkan informasi *forward looking* dalam bentuk perkiraan nilai-nilai variabel ekonomi yang kemungkinan akan berdampak pada kemampuan pembayaran kembali debitur Bank.

Berbagai MEV digunakan untuk setiap model PD, tergantung pada hasil analisis statistik kesesuaian MEV dengan PD serta konsensus dari pakar kredit. Diantaranya adalah pertumbuhan Produk Domestik Bruto ("PDB"), angka pengangguran, pertumbuhan upah, indeks harga rumah, tingkat konsumsi, *fixed investment*, indeks harga saham, dan ekspor.

Bank menggunakan metode pemodelan regresi untuk memproyeksikan hubungan MEV dan tingkat gagal bayar di masa depan. Bank menggunakan 3 skenario MEV, yaitu *upside*, *central*, dan *downside*, namun demikian skenario ekonomi dapat disesuaikan apabila terdapat kondisi yang mempengaruhi kondisi ekonomi secara signifikan. Dalam hal ini sejak 2020, Bank menambahkan 1 skenario lagi yaitu *u-shape (downside severe)* karena adanya situasi pandemi yang disebabkan oleh COVID-19, Bank akan memperkirakan proyeksi MEV untuk setiap skenario tersebut dan memberikan bobot pada skenario tersebut dalam perhitungan kerugian kredit ekspektasian. Semua proyeksi diperbarui setiap tiga bulan.

Sensitivitas MEV terhadap ECL

Perhitungan cadangan kerugian penurunan nilai ("ECL") bergantung pada beberapa variabel dan pada dasarnya tidak linier dan tergantung pada portofolio, yang menyiratkan bahwa tidak ada analisis tunggal yang dapat sepenuhnya menunjukkan sensitivitas kerugian kredit ekspektasian terhadap perubahan dalam MEV. Bank berkeyakinan bahwa sensitivitas harus dilakukan terhadap seluruh variabel, bukan hanya variabel tunggal, karena hal ini sejalan dengan sifat multi-variabel dari perhitungan ECL.

Dalam menentukan kerugian kredit ekspektasian, Bank telah menggunakan MEV yang terkini, termasuk mempertimbangkan dampak COVID-19 dan berbagai informasi yang relevan termasuk arahan regulator.

4. RISK MANAGEMENT (continued)**b. Credit risk (continued)**

Key assumptions and judgments in determining expected credit loss (continued)

Macro Economic Variable ("MEV") (continued)

To capture the effect of changes to the economic environment, PD model is used to calculate expected credit loss, by incorporating forward-looking information in the form of forecasts of the values of economic variables that are likely to have an effect on the repayment ability of the Bank's debtors.

Various of MEVs are used for each PD model, depending on the statistical analysis result of appropriateness of the MEV with PD as well as consensus from credit expert. Amongst others are Gross Domestic Product ("GDP") growth, unemployment rate, wage growth, house price index, private consumption, fixed investment, stock market index, and export.

The Bank uses regression modeling method to forecast the relationship between MEV and the NPL in the future. The Bank uses 3 MEV scenarios, i.e. *upside*, *central*, and *downside*, however the economic scenario can be adjusted if there are conditions that significantly impacting the economic situation. In this case since 2020, the Bank added one more scenario which is "*u-shape (downside severe)*" scenario due to pandemic situation caused by COVID-19. The Bank will estimate the MEV projection for each of these scenarios and give weighting to these scenarios in calculating the expected credit loss. All projections are updated on a quarterly basis.

Sensitivity of MEV to ECL

The Expected Credit Loss ("ECL") calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, which implies that no single analysis can fully demonstrate the sensitivity of the expected credit loss to changes in the MEVs. The Bank believes that sensitivity should be performed to all variables, instead of single variable, as this aligns with the multi-variable nature of the ECL calculation.

In determining the expected credit loss, the Bank has implemented the updated MEV, including considering the impact of COVID-19 and various relevant information including direction from the regulator.

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4. MANAJEMEN RISIKO (lanjutan)

b. Risiko kredit (lanjutan)

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.

	2021	2020
Laporan posisi keuangan:		
Giro pada Bank Indonesia	8.417.779	4.252.139
Giro pada bank-bank lain	3.363.439	3.740.633
Penempatan pada Bank Indonesia	19.134.840	1.152.313
Penempatan pada bank-bank lain	257.350	10.653.939
Efek-efek untuk tujuan investasi	21.120.592	17.860.822
Aset keuangan dalam kelompok diperdagangkan	2.703.991	1.217.717
Tagihan derivatif	202.641	671.498
Efek-efek yang dibeli dengan janji dijual kembali	10.060.292	9.292.848
Wesel ekspor	1.836.512	921.585
Tagihan akseptasi	2.597.903	2.021.659
Kredit yang diberikan kepada nasabah	51.328.140	55.334.586
Aset lain-lain - pendapatan yang masih akan diterima	612.114	639.325
	<u>121.635.593</u>	<u>107.759.064</u>
Rekening administratif dengan risiko kredit:		
L/C yang tidak dapat dibatalkan	3.197.217	2.050.678
Fasilitas kredit yang belum digunakan - <i>committed</i>	6.207.716	9.611.269
Bank garansi yang diterbitkan	<u>10.237.245</u>	<u>7.908.442</u>
	<u>19.642.178</u>	<u>19.570.389</u>
Jumlah	<u><u>141.277.771</u></u>	<u><u>127.329.453</u></u>

ii. Pembagian aset keuangan berdasarkan kualitas kredit

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.

4. RISK MANAGEMENT (continued)

b. Credit risk (continued)

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.

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

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.

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4. MANAJEMEN RISIKO (lanjutan)**b. Risiko kredit (lanjutan)**

- ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

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. RISK MANAGEMENT (continued)**b. Credit risk (continued)**

- ii. Distribution of financial assets by their credit quality (continued)

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.

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	Tunggakan/ Delinquency 0 (Zero DPD)	A- ke atas/A- and above
Baik/Good	CRR 3	Tunggakan/ Delinquency 1 (1 - 29 DPD)	BBB+ sampai dengan BBB-/ BBB+ to BBB-
Cukup/Satisfactory	CRR 4 - CRR 5	Tunggakan/ Delinquency 2 (30-59 DPD)	BB+ sampai dengan B. dan tanpa peringkat/ BB+ to B. and without rating
Kurang Lancar/Sub-standard	CRR 6 - CRR 8	Tunggakan/ Delinquency 3 (60 - 89 DPD)	B- sampai dengan C/ B-to C
Penurunan nilai/Impaired	CRR 9 - CRR 10	Tunggakan/ Delinquency >= 4 (> 90 DPD)	Gagal bayar/Default

¹⁾ CRR: Customer Risk Rating

²⁾ Band Internal berdasarkan bucket tunggakan dalam jumlah hari tunggakan/
Internal Band based on delinquency bucket where it's driven by Day Past Due (DPD).

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.

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.

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4. MANAJEMEN RISIKO (lanjutan)**b. Risiko kredit (lanjutan)**

- ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

Definisi dari kualitas kredit Bank adalah sebagai berikut: (lanjutan)

- 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.
- Penurunan nilai: eksposur kredit telah dievaluasi sebagai kredit bermasalah. Eksposur - eksposur ini adalah dimana Bank mempertimbangkan bahwa nasabah tidak lagi mempunyai kemampuan membayar seluruh kewajiban kreditnya tanpa merealisasi agunan, jika ada, atau untuk nasabah ritel, pembayaran kewajiban kredit yang material telah terlambat lebih dari 90 hari.

Customer Risk rating (CRR) dengan 10 skala peringkat di atas merupakan ringkasan dan 23 skala peringkat yang lebih terperinci atas probabilitas gagal bayar dari debitur.

Setiap peringkat CRR dikaitkan dengan peringkat eksternal dengan mengacu pada tingkat gagal bayar jangka panjang untuk peringkat tersebut, diwakili oleh rata-rata gagal bayar historis tertimbang. Pemetaan antara penilaian internal dan eksternal merupakan indikasi dan dapat bervariasi dari waktu ke waktu.

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.

Untuk kebijakan akuntansi tentang penurunan nilai aset keuangan, lihat Note 3p.

4. 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: (continued)

- *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.*
- *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 summaries 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.

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.

For details of our impairment policies on financial assets, see Note 3p.

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

Pembagian aset keuangan berdasarkan staging sesuai PSAK 71 dan kualitas kreditnya pada tanggal 31 Desember 2021 disajikan di bawah ini:

ii. Distribution of financial assets by credit quality (continued)

Distribution of financial assets by staging based on SFAS 71 and their credit quality as of 31 December 2021 is summarised as below:

2021													
	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 diperdagang kan/ 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/ Loans to customers	Aset lain-lain – pendapatan yang masih akan diterima/ Other assets – accrued income	Jumlah/ Total
Aset pada biaya perolehan diamortisasi	Stage 1												
	Lancar	8.417.779	3.303.067	19.134.840	257.379	-	-	10.060.292	199.718	763	7.403.312	13.911	48.791.061
	Baik	-	8.438	-	-	-	-	-	993.177	345.113	10.623.546	362.336	12.332.610
	Memuaskan	-	895	-	-	-	-	-	536.268	1.571.137	6.466.777	115.606	8.690.683
	Kurang lancar	-	-	-	-	-	-	-	-	34.709	14.245	892	49.846
	Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	-	-	-	-	-
	Retail - berdasarkan jumlah hari jatuh tempo												
	0 hari	-	-	-	-	-	-	-	-	-	4.241.938	-	4.241.938
	1-89 hari	-	-	-	-	-	-	-	-	-	78.387	-	78.387
	> 90 hari	-	-	-	-	-	-	-	-	-	-	-	-
	8.417.779	3.312.400	19.134.840	257.379	-	-	10.060.292	1.729.163	1.951.722	28.828.205	492.745	74.184.525	
Stage 2													
Lancar	-	1.163	-	-	-	-	-	-	-	5.697	453.704	1.421	461.985
Baik	-	50.429	-	-	-	-	-	-	-	4.788	10.650.680	20.589	10.726.486
Memuaskan	-	-	-	-	-	-	-	-	3.875	533.501	9.649.173	22.962	10.209.511
Kurang lancar	-	-	-	-	-	-	-	-	-	106.500	1.254.304	4.827	1.365.631
Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail - berdasarkan jumlah hari jatuh tempo													
0 hari	-	-	-	-	-	-	-	-	-	-	332.067	-	332.067
1-89 hari	-	-	-	-	-	-	-	-	-	-	114.265	-	114.265
> 90 hari	-	-	-	-	-	-	-	-	3.875	650.486	22.454.193	49.799	23.209.945
	-	51.592	-	-	-	-	-	-	-	-	-	-	-

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

- ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

Pembagian aset keuangan berdasarkan staging sesuai PSAK 71 dan kualitas kreditnya pada tanggal 31 Desember 2021 disajikan di bawah ini: (lanjutan)

- ii. Distribution of financial assets by credit quality (continued)

Distribution of financial assets by staging based on SFAS 71 and their credit quality as of 31 December 2021 is summarised as below: (continued)

2021 (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 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	Aset lain-lain – pendapatan yang masih akan diterima/ Other assets – accrued income	Jumlah/ Total
Stage 3												
Lancar	-	-	-	-	-	-	-	-	-	-	-	-
Baik	-	-	-	-	-	-	-	-	-	-	-	-
Memuaskan	-	-	-	-	-	-	-	-	-	-	837	837
Kurang lancar	-	-	-	-	-	-	-	-	-	-	-	-
Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	120.254	-	3.094.918	405	3.215.577
Retail - berdasarkan jumlah hari jatuh tempo												
0 hari	-	-	-	-	-	-	-	-	-	57.588	-	57.588
1-89 hari	-	-	-	-	-	-	-	-	-	14.679	-	14.679
> 90 hari	-	-	-	-	-	-	-	-	-	66.240	-	66.240
	-	-	-	-	-	-	-	120.254	-	3.233.425	1.242	3.354.921
	8.417.779	3.363.992	19.134.840	257.379	-	-	-	1.853.292	2.602.208	54.515.823	543.786	100.749.391
Dikurangi : Cadangan kerugian penurunan nilai												
Stage 1	-	(372)	-	(29)	-	-	-	(16.780)	(1.222)	(175.639)	-	(194.042)
Stage 2	-	(181)	-	-	-	-	-	-	(3.083)	(497.080)	-	(500.344)
Stage 3	-	-	-	-	-	-	-	-	-	(2.514.964)	-	(2.514.964)
	-	(553)	-	(29)	-	-	-	(16.780)	(4.305)	(3.187.683)	-	(3.209.350)
Jumlah nilai tercatat - biaya perolehan diamortisasi	8.417.779	3.363.439	19.134.840	257.350	-	-	-	1.836.512	2.597.903	51.328.140	543.786	97.540.041
Aset pada nilai wajar												
Stage 1	-	-	-	-	21.120.592	2.703.991	184.377	-	-	-	-	24.008.960
Stage 2	-	-	-	-	-	-	18.264	-	-	-	-	18.264
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah nilai tercatat - nilai wajar	-	-	-	-	21.120.592	2.703.991	202.641	-	-	-	-	24.027.224
Jumlah aset keuangan	8.417.779	3.363.439	19.134.840	257.350	21.120.592	2.703.991	202.641	1.836.512	2.597.903	51.328.140	543.786	121.567.265

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

Pembagian aset keuangan berdasarkan staging sesuai PSAK 71 dan kualitas kreditnya pada tanggal 31 Desember 2020 disajikan di bawah ini: (lanjutan)

ii. Distribution of financial assets by credit quality (continued)

Distribution of financial assets by staging based on SFAS 71 and their credit quality as of 31 Desember 2020 is summarised as below: (continued):

	2020												Assets at amortised cost
	Giro pada Bank Indonesia/ Demand deposits with Bank Indonesia	Giro pada bank-bank lain/ Demand deposits with other banks	Penempatan pada Bank Indonesia/ Placements with Bank Indonesia	Penempatan pada bank- bank lain/ Placements with other banks	Efek-efek untuk 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
Aset pada biaya perolehan diamortisasi													
Stage 1													Stage 1
Lancar	4.252.139	3.673.820	1.152.313	10.519.314	-	-	-	9.292.848	94.273	274.927	9.575.250	19.477	Strong
Baik	-	8.219	-	135.000	-	-	-	-	260.033	217.435	14.185.198	423.810	Good
Memuaskan	-	317	-	-	-	-	-	-	425.668	480.363	15.580.773	137.730	Satisfactory
Kurang lancar	-	-	-	-	-	-	-	-	50.955	3.493	222.387	3.819	Sub-standard
Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	-	-	-	-	-	Impaired
Retail - berdasarkan jumlah hari jatuh tempo													financial assets
0 hari	-	-	-	-	-	-	-	-	-	-	3.566.533	-	Retail - based on day(s) past due
1-89 hari	-	-	-	-	-	-	-	-	-	-	51.746	-	From 1 day to 89 days
> 90 hari	-	-	-	-	-	-	-	-	-	-	11.991	-	More than 90 days
	4.252.139	3.682.356	1.152.313	10.654.314	-	-	-	9.292.848	830.929	976.218	43.193.878	584.836	74.619.831
Stage 2													Stage 2
Lancar	-	920	-	-	-	-	-	-	-	108.237	257.414	345	Strong
Baik	-	57.464	-	-	-	-	-	-	21.478	319.234	1.474.586	3.842	Good
Memuaskan	-	-	-	-	-	-	-	-	18.097	281.473	6.584.767	21.646	Satisfactory
Kurang lancar	-	-	-	-	-	-	-	-	513	339.319	2.642.227	25.125	Sub-standard
Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	-	-	-	-	-	Impaired
Retail - berdasarkan jumlah hari jatuh tempo													financial assets
0 hari	-	-	-	-	-	-	-	-	-	-	964.521	-	Retail - based on day(s) past due
1-89 hari	-	-	-	-	-	-	-	-	-	-	131.954	-	From 1 day to 89 days
> 90 hari	-	-	-	-	-	-	-	-	-	-	25.121	-	More than 90 days
	-	58.384	-	-	-	-	-	-	40.088	1.048.263	12.080.590	50.958	13.278.283

ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

2020 (lanjutan/continued)

2020 (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 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	
Stage 3 Lancar	-	-	-	-	-	-	-	-	-	-	-	-	Stage 3 Strong
Baik	-	-	-	-	-	-	-	-	-	-	-	-	Good
Memuaskan	-	-	-	-	-	-	-	-	-	-	-	2.694	Satisfactory
Kurang lancar	-	-	-	-	-	-	-	-	-	-	-	-	Sub-standard
Aset keuangan yang mengalami penurunan nilai	-	-	-	-	-	-	-	-	57.411	22.576	2.918.908	837	Impaired financial assets
Retail - berdasarkan jumlah hari jatuh tempo													Retail - based on day(s) past due
0 hari	-	-	-	-	-	-	-	-	-	-	93.990	-	0 day
1-89 hari	-	-	-	-	-	-	-	-	-	-	17.495	-	From 1 day to 89 days
> 90 hari	-	-	-	-	-	-	-	-	-	-	89.310	-	More than 90 days
	-	-	-	-	-	-	-	-	57.411	22.576	3.119.703	3.531	
	<u>4.252.139</u>	<u>3.740.740</u>	<u>1.152.313</u>	<u>10.654.314</u>	-	-	-	<u>9.292.848</u>	<u>928.428</u>	<u>2.047.057</u>	<u>58.394.171</u>	<u>639.325</u>	
Dikurangi : Cadangan kerugian penurunan nilai													Less: allowance for impairment losses
Stage 1	-	(105)	-	(375)	-	-	-	-	(6.442)	(12.112)	(310.774)	-	Stage 1
Stage 2	-	(2)	-	-	-	-	-	-	(401)	(13.006)	(695.975)	-	Stage 2
Stage 3	-	-	-	-	-	-	-	-	-	(280)	(2.052.836)	-	Stage 3
	-	(107)	-	(375)	-	-	-	-	(6.843)	(25.398)	(3.059.585)	-	
Jumlah nilai tercatat - biaya perolehan diamortisasi	<u>4.252.139</u>	<u>3.740.633</u>	<u>1.152.313</u>	<u>10.653.939</u>	-	-	-	<u>9.292.848</u>	<u>921.585</u>	<u>2.021.659</u>	<u>55.334.586</u>	<u>639.325</u>	Carrying amount - amortised cost
Aset pada nilai wajar													Asset at fair value
Stage 1	-	-	-	-	17.860.822	1.217.717	601.919	-	-	-	-	-	Stage 1
Stage 2	-	-	-	-	-	-	69.570	-	-	-	-	-	Stage 2
Stage 3	-	-	-	-	-	-	9	-	-	-	-	-	Stage 3
Jumlah nilai tercatat - nilai wajar	-	-	-	-	17.860.822	1.217.717	671.498	-	-	-	-	-	Carrying amount - fair value
Jumlah aset keuangan	<u>4.252.139</u>	<u>3.740.633</u>	<u>1.152.313</u>	<u>10.653.939</u>	<u>17.860.822</u>	<u>1.217.717</u>	<u>671.498</u>	<u>9.292.848</u>	<u>921.585</u>	<u>2.021.659</u>	<u>55.334.586</u>	<u>639.325</u>	Total Financial Assets

**CATATAN ATAS LAPORAN KEUANGAN
TAHUN BERAKHIR 31 DESEMBER 2021**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO (lanjutan)**b. Risiko kredit (lanjutan)**

- ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

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.

- 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.

4. RISK MANAGEMENT (continued)**b. Credit risk (continued)**

- ii. Distribution of financial assets by credit quality (continued)

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.

- 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.

**CATATAN ATAS LAPORAN KEUANGAN
TAHUN BERAKHIR 31 DESEMBER 2021**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO (lanjutan)**b. Risiko kredit (lanjutan)****iii. Agunan (lanjutan)**

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.

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.

Nilai properti harus divalusi secara berkala sesuai ketentuan regulasi dengan metode yang disebutkan sebelumnya. Frekuensi penilaian dapat dilakukan lebih cepat di luar koridor waktu yang telah ditentukan oleh regulasi jika kondisi pasar atau kinerja portofolio mengalami pemburukan/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.22/21/PADG/2020 tentang rasio *Loan to Value* untuk kredit properti, rasio *Financing to Value* untuk pembiayaan properti, dan uang muka untuk kredit atau pembiayaan kendaraan bermotor (PADG LTV/FTV dan Uang Muka).

4. RISK MANAGEMENT (continued)**b. Credit risk (continued)****iii. Collaterals (continued)**

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.

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.

Property values should be appraised on a regular basis in accordance with regulatory requirements using previously mentioned method. Valuations can be conducted earlier out of the timeline determined by regulation when market conditions or portfolio performance are subject to significant deterioration/ 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.22/21/PADG/2020 regarding *Loan to Value* ratio for mortgage lending, *Financing to Value* ratio for property lending and down payment for motor vehicle financing or lending (PADG LTV/FTV and Down Payment).

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4. MANAJEMEN RISIKO (lanjutan)**b. Risiko kredit (lanjutan)****iii. Agunan (lanjutan)**Kredit korporasi

Pinjaman kepada nasabah korporasi ditentukan atas dasar evaluasi kredit dan pengujian penurunan nilai secara individual. Secara umum kemampuan membayar nasabah korporasi merupakan indikasi yang paling relevan terhadap kualitas kredit dari pinjaman yang diberikan dan merupakan pertimbangan yang utama dalam pengambilan keputusan pemberian kredit korporasi. Namun, agunan merupakan jaminan tambahan dan Bank dapat meminta nasabah korporasi untuk menyediakan agunan. Jenis-jenis agunan yang pada umumnya disyaratkan pada kredit korporasi dapat berupa hak tanggungan pertama atas properti, aset-aset korporasi dengan nilai dan kuantitas bergerak serta jaminan dan garansi lainnya.

Dalam aktivitas pembiayaan terhadap kredit korporasi, nilai agunan tidak berkorelasi langsung terhadap kemampuan membayar nasabah korporasi. Terlebih lagi, untuk beberapa jenis agunan yang umum dijamin pada kredit korporasi, seperti jaminan garansi korporasi, letters of comfort dan aset-aset korporasi dengan nilai dan kuantitas bergerak dimana nilai atas agunan tersebut tidak dapat ditentukan secara pasti.

Ketika kemampuan membayar nasabah korporasi memburuk dan perlu dilakukan evaluasi atas kemampuan pembayaran kembali melalui sumber jaminan lain yang tersedia, penilaian agunan secara umum akan dilakukan dengan frekuensi yang lebih sering. Ketika terdapat kredit korporasi yang teridentifikasi dan dinyatakan sebagai bermasalah, pengkinian nilai agunan kredit bermasalah tersebut dilakukan sedikitnya setiap 3 bulan, kecuali ditentukan lain oleh direktur yang berwenang.

iv. Analisa konsentrasi risiko kredit

Konsentrasi risiko kredit timbul ketika sejumlah nasabah menjalankan kegiatan usaha yang sejenis atau menjalankan kegiatan usaha dalam wilayah geografis yang sama, atau ketika nasabah memiliki karakteristik yang sejenis yang akan menyebabkan kemampuan mereka untuk memenuhi kewajiban kontraktualnya secara serupa dipengaruhi oleh perubahan kondisi ekonomi atau kondisi lainnya.

4. RISK MANAGEMENT (continued)**b. Credit risk (continued)****iii. Collaterals (continued)**Corporate lending

Loans and advances to corporate customers are subject to individual credit assessment and impairment testing. General creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended and is the primary consideration for any corporate lending decisions. Collateral however provides additional security and the Bank may request corporate customers to provide collateral. Types of collateral which are commonly taken for corporate lending may be in the form of a first charge of real estate, floating charges over corporate assets and other liens and guarantees.

For financing activities in corporate lending, collateral value is not directly correlated with principal repayment performance. Moreover, for some types of collateral commonly taken in corporate lending, such as corporate guarantees, letters of comfort and floating charges over corporate assets, the assignable value is insufficiently certain.

When a corporate customer's general credit performance deteriorates and it is necessary to assess the likely performance of secondary sources of repayment, the valuation of collateral will generally be conducted on a more frequent basis. When a corporate loan is identified and assessed as impaired, the collateral must be revalued at least every 3 months, unless otherwise determined by authorized director.

iv. Concentration of credit risk analysis

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

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4. MANAJEMEN RISIKO (lanjutan)

b. Risiko kredit (lanjutan)

iv. Analisa konsentrasi risiko kredit (lanjutan)

Tabel berikut menyajikan konsentrasi aset keuangan berdasarkan debitur:

2021			
Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/ Banks	Jumlah/ Total
Giro pada Bank Indonesia	- 8.417.779	-	8.417.779
Giro pada bank-bank lain - bersih	-	3.363.439	3.363.439
Penempatan pada Bank Indonesia	- 19.134.840	-	19.134.840
Penempatan pada bank-bank lain - bersih	-	257.350	257.350
Efek-efek untuk tujuan investasi	- 21.120.592	-	21.120.592
Aset keuangan dalam kelompok diperdagangkan	- 2.703.991	-	2.703.991
Tagihan derivatif	41.854 -	160.787	202.641
Efek-efek yang dibeli dengan janji dijual kembali	- 10.060.292	-	10.060.292
Wesel Ekspor - bersih	1.836.512	-	1.836.512
Tagihan akseptasi - bersih	2.597.903	-	2.597.903
Kredit yang diberikan kepada nasabah - bersih	51.328.140	-	51.328.140
Aset lain-lain - pendapatan yang masih akan diterima	286.058	326.056	612.114
Rekening administratif dengan risiko kredit	15.117.194	4.524.984	19.642.178
Jumlah	71.207.661	61.763.550	141.277.771
%	50%	44%	6%

Demand deposits with Bank Indonesia
Demand deposits with other banks - net
Placement with Bank Indonesia
Placements with other banks - net
Investment securities
Financial assets held for trading
Derivative receivables
Securities purchased with agreement to resell
Export Bills - net
Acceptance receivables - net
Loans to customers - net
Other assets - accrued income
Off-balance sheet accounts with credit risk
Total
%

4. RISK MANAGEMENT (continued)

b. Credit risk (continued)

iv. Concentration of credit risk analysis (continued)

The following table presents the concentration of financial assets by type of debtors:

2020			
Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/ Banks	Jumlah/ Total
Giro pada Bank Indonesia	- 4.252.139	-	4.252.139
Giro pada bank-bank lain - bersih	-	3.740.633	3.740.633
Penempatan pada Bank Indonesia	- 1.152.313	-	1.152.313
Penempatan pada bank-bank lain - bersih	-	10.653.939	10.653.939
Efek-efek untuk tujuan investasi	- 17.860.822	-	17.860.822
Aset keuangan dalam kelompok diperdagangkan	- 1.217.717	-	1.217.717
Tagihan derivatif	170.818 -	500.680	671.498
Efek-efek yang dibeli dengan janji dijual kembali	- 9.292.848	-	9.292.848
Wesel Ekspor - bersih	921.585	-	921.585
Tagihan akseptasi - bersih	1.667.522	-	2.021.659
Kredit yang diberikan kepada nasabah - bersih	55.274.934	-	55.334.586
Aset lain-lain - pendapatan yang masih akan diterima	258.298	380.999	639.325
Rekening administratif dengan risiko kredit	17.291.869	2.278.520	19.570.389
Jumlah	75.585.026	34.156.838	127.329.453
%	59%	27%	14%

Demand deposits with Bank Indonesia
Demand deposits with other banks - net
Placement with Bank Indonesia
Placements with other banks - net
Investment securities
Financial assets held for trading
Derivative receivables
Securities purchased with agreement to resell
Export Bills - net
Acceptance receivables - net
Loans to customers - net
Other assets - accrued income
Off-balance sheet accounts with credit risk
Total
%

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4. MANAJEMEN RISIKO (lanjutan)**b. Risiko kredit (lanjutan)**

iv. Analisa konsentrasi risiko kredit (lanjutan)

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 secara harian dan melakukan *stress tests secara berkala*.
- 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 memantau PDN intra hari sesuai dengan peraturan yang berlaku.

4. RISK MANAGEMENT (continued)**b. Credit risk (continued)**

iv. Concentration of credit risk analysis (continued)

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 on daily basis and conducting regular 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.

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4. MANAJEMEN RISIKO (lanjutan)

c. Risiko pasar (lanjutan)

Secara garis besar, risiko pasar dibagi menjadi:

i. Risiko mata uang

Bank memiliki ekposur risiko mata uang melalui transaksi dalam valuta asing. Bank memantau 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.

PDN Bank pada tanggal 31 Desember 2021 dan 2020 berdasarkan mata uang adalah sebagai berikut:

4. RISK MANAGEMENT (continued)

c. Market risk (continued)

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.

The Bank's NOP as of 31 December 2021 and 2020 by currencies are as follows:

2021			Posisi devisa neto (nilai absolut)/Net open position (absolute amount)	
Aset/Assets	Liabilitas/ Liabilities			
Mata uang				Currencies
Keseluruhan (laporan posisi keuangan dan rekening administratif)				Aggregate (statement of financial position and off-balance sheet accounts)
Dolar Amerika Serikat	49.962.194	49.654.632	307.562	United States Dollar
Dolar Australia	866.545	864.083	2.462	Australian Dollar
Dolar Singapura	697.231	683.051	14.180	Singapore Dollar
Dolar Hong Kong	159.535	157.717	1.818	Hong Kong Dollar
Pound Inggris	497.196	494.796	2.400	British Pound
Yen Jepang	576.884	577.930	1.046	Japanese Yen
Yuan Cina	192.887	190.503	2.384	China Yuan
Yuan Cina Renminbi	195.107	194.124	983	Chinese Yuan Renminbi
Euro	1.675.382	1.669.050	6.332	Euro
Franc Swiss	48.486	46.321	2.165	Swiss Franc
Baht Thailand	4.560	933	3.627	Thailand Baht
Dolar Kanada	132.839	132.169	670	Canadian Dollar
Krone Denmark	1.162	2	1.160	Danish Krone
Rupiah India	383	72	311	Indian Rupee
Krona Swedia	895	127	768	Swedish Krona
Krone Norwegia	487	-	487	Norwegian Krone
Dolar Selandia Baru	43.477	41.741	1.736	New Zealand Dollar
Ringgit Malaysia	948	4	944	Malaysian Ringgit
Jumlah			351.035	Total
Jumlah modal (Catatan 4f)			21.583.533	Total capital (Note 4f)
Posisi Devisa Neto			1,63%	Net Open Position

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4. MANAJEMEN RISIKO (lanjutan)

c. Risiko pasar (lanjutan)

i. Risiko mata uang (lanjutan)

	2020		Posisi valuta neto (nilai absolut)/Net open position (absolute amount)
	Aset/Assets	Liabilitas/ Liabilities	
Mata uang			
Keseluruhan (laporan posisi keuangan dan rekening administratif)			
Dolar Amerika Serikat	53.379.174	53.574.955	195.781
Dolar Australia	794.631	797.808	3.177
Dolar Singapura	643.944	664.770	20.826
Dolar Hong Kong	166.034	166.273	239
Pound Inggris	815.068	826.928	11.860
Yen Jepang	793.190	794.464	1.274
Yuan Cina	300.028	123.876	176.152
Yuan Cina Renminbi	24.236	213.649	189.413
Euro	2.268.305	2.268.351	46
Franc Swiss	50.825	51.568	743
Baht Thailand	3.063	-	3.063
Dolar Kanada	87.057	88.161	1.104
Krone Denmark	916	-	916
Rupiah India	1.296	503	793
Krona Swedia	316	14	302
Krone Norwegia	655	-	655
Dolar Selandia Baru	20.915	21.848	933
Ringgit Malaysia	-	5	5
Jumlah			607.282
Jumlah modal (Catatan 4f)			20.764.533
Posisi Devisa Neto			2.92%

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, yang dikategorikan menurut mana yang terlebih dahulu antara tanggal re-pricing atau tanggal jatuh tempo:

4. RISK MANAGEMENT (continued)

c. Market risk (continued)

i. Currency risk (continued)

	Currencies
Aggregate (statement of financial position and off- balance sheet accounts)	
United States Dollar	
Australian Dollar	
Singapore Dollar	
Hong Kong Dollar	
British Pound	
Japanese Yen	
China Yuan	
Chinese Yuan Renminbi	
Euro	
Swiss Franc	
Thailand Baht	
Canadian Dollar	
Danish Krone	
Indian Rupee	
Swedish Krona	
Norwegian Krone	
New Zealand Dollar	
Malaysian Ringgit	
Total	Total capital (Note 4f)
	Net Open Position

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), categorised by the earlier of contractual re-pricing or maturity dates:

	2021					
	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	8.417.779	8.417.779	-	-	-	-
Giro pada bank-bank lain	3.363.992	3.363.992	-	-	-	-
Penempatan pada Bank Indonesia	19.134.840	19.134.840	-	-	-	-
Penempatan pada bank-bank lain	257.379	257.379	-	-	-	-
Efek-efek untuk tujuan investasi	21.120.592	1.880.599	2.128.949	706.606	16.404.438	-
Efek-efek yang dibeli dengan janji dijual kembali	10.060.292	10.060.292	-	-	-	-
Wesel ekspor	1.853.292	1.611.430	241.862	-	-	-
Kredit yang diberikan kepada nasabah	54.515.823	22.483.041	20.868.327	8.616.731	2.488.047	59.677
	118.723.989	67.209.352	23.239.138	9.323.337	18.892.485	59.677
Simpanan dari nasabah	(85.406.778)	(81.698.824)	(3.043.553)	(664.401)	-	-
Simpanan dari bank-bank lain	(5.940.073)	(5.940.073)	-	-	-	-
Pinjaman yang diterima	(6.199.838)	(6.199.838)	-	-	-	-
Pinjaman subordinasi	(1.068.937)	-	(1.068.937)	-	-	-
	(98.615.626)	(93.838.735)	(4.112.490)	(664.401)	-	-
	20.108.363	(26.629.383)	19.126.648	8.658.936	18.892.485	59.677

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4. MANAJEMEN RISIKO (lanjutan)

c. Risiko pasar (lanjutan)

ii. Risiko tingkat bunga (lanjutan)

Tabel di bawah ini menyajikan aset berbunga dan liabilitas berbunga (bukan untuk tujuan diperdagangkan) Bank, yang dikategorikan menurut mana yang terlebih dahulu antara tanggal *re-pricing* atau tanggal jatuh tempo: (lanjutan)

	2020						
	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	4.252.139	4.252.139	-	-	-	-	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	3.740.740	3.740.740	-	-	-	-	Demand deposits with other banks
Penempatan pada Bank Indonesia	1.152.313	1.152.313	-	-	-	-	Placements with Bank Indonesia
Penempatan pada bank-bank lain	10.654.314	10.654.314	-	-	-	-	Placements with other banks
Efek-efek untuk tujuan investasi	17.860.822	-	999.312	5.824.680	10.658.149	378.681	Investment securities
Efek-efek yang dibeli dengan janji dijual kembali	9.292.848	9.292.848	-	-	-	-	Securities purchased with agreement to resell
Wesel ekspor	928.428	850.652	77.776	-	-	-	Export bills
Kredit yang diberikan kepada nasabah	58.394.171	38.706.930	6.772.540	3.598.314	8.667.664	648.723	Loans to customers
	<u>106.275.775</u>	<u>68.649.936</u>	<u>7.849.628</u>	<u>9.422.994</u>	<u>19.325.813</u>	<u>1.027.404</u>	
Simpanan dari nasabah	(72.159.831)	(71.054.609)	(809.273)	(295.949)	-	-	Deposits from customers
Simpanan dari bank-bank lain	(4.491.715)	(4.491.715)	-	-	-	-	Deposits from other banks
Pinjaman yang diterima	(7.516.750)	(7.516.750)	-	-	-	-	Borrowings
Pinjaman subordinasi	(1.053.750)	-	(1.053.750)	-	-	-	Subordinated debts
	<u>(85.222.046)</u>	<u>(83.063.074)</u>	<u>(1.863.023)</u>	<u>(295.949)</u>	<u>-</u>	<u>-</u>	
	<u>21.053.729</u>	<u>(14.413.138)</u>	<u>5.986.605</u>	<u>9.127.045</u>	<u>19.325.813</u>	<u>1.027.404</u>	

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 2021 dan 2020 untuk masing-masing instrumen keuangan.

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 2021 dan 2020 for each financial instrument.

	2021	2020	
Aset			Assets
Rupiah:			Rupiah:
Efek-efek untuk tujuan investasi:			Investment securities:
Sertifikat Bank Indonesia	4,01%	4,38%	Certificates of Bank Indonesia
Obligasi pemerintah	5,58%	5,35%	Government bonds
Obligasi pemerintah – sukuk*)	4,08%	-	Government bonds – sukuk*)
Efek-efek yang dibeli dengan janji dijual kembali	3,50%	3,86%	Securities purchased with agreement to resell
Kredit yang diberikan kepada nasabah	7,99%	8,97%	Loans to customers
Valuta asing:			Foreign currencies:
Penempatan pada bank-bank lain:			Placements with other banks:
Call money	-	0,08%	Call money
Efek-efek untuk tujuan investasi:			Investment securities:
Obligasi pemerintah	2,30%	1,97%	Government bonds
Kredit yang diberikan kepada nasabah	3,46%	4,45%	Loans to customers

*) Menunjukkan rata-rata tertimbang dari bagi hasil

Represent weighted average of revenue sharing *)

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4. MANAJEMEN RISIKO (lanjutan)

c. Risiko pasar (lanjutan)

ii. Risiko tingkat bunga (lanjutan)

	2021	2020
Liabilitas		
Rupiah:		
Simpanan dari nasabah:		
Giro	0,38%	0,30%
Tabungan	0,18%	0,18%
Deposito berjangka dan <i>deposits on call</i>	1,69%	2,10%
Simpanan dari bank-bank lain:		
Giro	0,87%	1,26%
Valuta asing:		
Simpanan dari nasabah:		
Giro	0,00%	0,00%
Tabungan	0,00%	0,00%
Deposito berjangka dan <i>deposits on call</i>	0,02%	0,07%
Simpanan dari bank-bank lain:		
Giro	0,00%	0,00%
Pinjaman yang diterima	0,59%	1,78%
Pinjaman subordinasi	4,66%	4,77%

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;

4. RISK MANAGEMENT (continued)

c. Market risk (continued)

ii. Interest rate risk (continued)

Liabilities	
Rupiah:	
Deposits from customers:	
Demand deposits	
Saving accounts	
Time deposits and deposits on call	
Deposits from other banks:	
Demand deposits	
Foreign currencies:	
Deposits from customers:	
Demand deposits	
Saving accounts	
Time deposits and deposits on call	
Deposits from other banks:	
Demand deposits	
Borrowings	
Subordinated debts	

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;

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4. MANAJEMEN RISIKO (lanjutan)

c. Risiko pasar (lanjutan)

iii. Value at Risk (lanjutan)

- 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;
- 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:

	2021		
	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	17.121	5.649	18.131

Bank melakukan validasi atas keakurasian model VaR dengan melakukan *back-testing* menggunakan hasil laba rugi aktual harian secara berkala.

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.

4. RISK MANAGEMENT (continued)

c. Market risk (continued)

iii. Value at Risk (continued)

- 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;
- 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:

	2020		
	Jumlah VaR/ Total VaR	VaR untuk portofolio yang diperdagangkan/ Trading VaR	
		Risiko Nilai Tukar/ Foreign Exchange Risk	Risiko Tingkat Bunga/ Interest Rate Risk
At 31 December	10.562	4.005	10.086

The Bank validates the accuracy of VaR model by performing *back-testing* using actual daily profit or loss results on a regular basis.

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.

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4. MANAJEMEN RISIKO (lanjutan)**d. Risiko likuiditas (lanjutan)**

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.

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 stres selama 30 hari.

Posisi LCR berdasarkan peraturan OJK berdasarkan data 31 Desember dapat dilihat pada tabel di bawah ini:

	2021
<i>Liquidity Coverage Ratio -</i> Dihitung berdasarkan peraturan OJK yang berlaku	297%

Berdasarkan kebijakan internal, ditetapkan limit sebesar 130% 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. RISK MANAGEMENT (continued)**d. Liquidity risk (continued)**

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.

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 FSA regulations as of 31 December are provided in the following table:

	2020
<i>Liquidity Coverage Ratio -</i> Calculated based on the prevailing FSA regulations	649%

Based on internal policy, a limit of 130% 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 (lanjutan)

d. Risiko likuiditas (lanjutan)

Net Stable Funding Ratio (NSFR) (lanjutan)

Posisi NSFR berdasarkan peraturan OJK berdasarkan data 31 Desember dapat dilihat pada tabel di bawah ini:

	2021
Net Stable Funding Ratio - Dihitung berdasarkan peraturan OJK yang berlaku	215%

Rencana Pendanaan Kontinjensi

Rencana Pendanaan Kontinjensi (CFP) memiliki fokus pada skenario stres *idiosyncratic* dan *market wide*. Skenario stres harus memiliki tingkat kesulitan yang bervariasi untuk menangani isu-isu yang berkembang dalam rentang waktu tertentu dan dihubungkan dengan kerangka risiko likuiditas dan asumsi stres.

CFP harus membentuk *Early Warning Indicators* dengan *trigger* yang telah ditentukan diawal untuk menginformasikan seluruh penilaian status RAG (*Red/Amber/Green*). CFP harus menguraikan secara singkat tanggung jawab dan tindakan yang dapat diterapkan dalam skenario stres likuiditas dan menetapkan tahapan-tahapan spesifik selama skenario stres tersebut.

Eksposur risiko likuiditas

Sisa umur atas arus kas kontraktual yang tidak didiskontokan atas liabilitas keuangan sampai dengan jatuh tempo pada tanggal 31 Desember 2021 dan 2020 adalah sebagai berikut:

	2021				
	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	(85.406.778)	(85.962.001)	(80.683.350)	(3.377.079)	(1.901.572)
Simpanan dari bank-bank lain	(5.940.073)	(5.940.222)	(5.940.222)	-	-
Utang akseptasi	(2.602.208)	(2.602.208)	(870.516)	(1.209.124)	(522.568)
Pinjaman yang diterima	(6.199.838)	(6.234.699)	-	-	(6.234.699)
Pinjaman subordinasi	(1.068.937)	(1.118.749)	-	-	(1.118.749)
Liabilitas lainnya	(447.630)	(447.630)	(447.630)	-	-
L/C yang tidak dapat dibatalkan	-	(3.197.217)	(1.301.128)	(1.610.393)	(285.707)
Fasilitas kredit yang belum digunakan - <i>committed</i>	-	(6.207.716)	-	-	(6.207.716)
	<u>(101.665.464)</u>	<u>(111.710.442)</u>	<u>(89.242.846)</u>	<u>(6.196.596)</u>	<u>(16.271.011)</u>

4. RISK MANAGEMENT (continued)

d. Liquidity risk (continued)

Net Stable Funding Ratio (NSFR) (continued)

NSFR position based on FSA regulation as of 31 December are provided in the following table:

	2020
Net Stable Funding Ratio - Calculated based on the prevailing FSA regulations	165%

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 2021 and 2020 are as follows:

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4. MANAJEMEN RISIKO (lanjutan)

d. Risiko likuiditas (lanjutan)

Eksposur risiko likuiditas (lanjutan)

Sisa umur atas arus kas kontraktual yang tidak didiskontokan atas liabilitas keuangan sampai dengan jatuh tempo pada tanggal 31 Desember 2021 dan 2020 adalah sebagai berikut: (lanjutan)

4. RISK MANAGEMENT (continued)

d. *Liquidity risk (continued)*

Exposure to liquidity risk (continued)

Maturity on contractual undiscounted cash flows of financial liabilities as of 31 December 2021 and 2020 are as follows: (continued)

2021 (lanjutan/continued)					
	Nilai tercatat/ Carrying amount	Nilai nominal bruto arus kas masuk (keluar)/ Gross nominal inflow/ (outflow)	Hingga 1 bulan/ Up to 1 month	>1 - 3 bulan/ months	>3 bulan/ months
<u>Liabilitas derivatif</u>					<u>Derivative payables</u>
Arus kas keluar	(188.060)	(64.318.961)	(39.800.477)	(17.737.071)	(6.781.413)
Arus kas masuk	-	64.697.272	39.078.706	16.773.387	8.845.179
	(188.060)	378.311	(721.771)	(963.684)	2.063.766
	(101.853.524)	(111.332.142)	(89.964.617)	(7.160.280)	(14.207.245)
2020					
	Nilai tercatat/ Carrying amount	Nilai nominal bruto arus kas masuk (keluar)/ Gross nominal inflow/ (outflow)	Hingga 1 bulan/ Up to 1 month	>1 - 3 bulan/ months	>3 bulan/ months
<u>Liabilitas non-derivatif</u>					<u>Non-derivative payables</u>
Simpanan dari nasabah	(72.159.831)	(72.740.961)	(69.220.279)	(1.894.152)	(1.626.530)
Simpanan dari bank-bank lain	(4.491.715)	(4.491.770)	(4.491.770)	-	-
Utang akseptasi	(2.047.057)	(2.047.057)	(987.334)	(821.957)	(237.766)
Pinjaman yang diterima	(7.516.750)	(7.600.502)	-	-	(7.600.502)
Pinjaman subordinasi	(1.053.750)	(1.104.014)	-	-	(1.104.014)
Liabilitas lainnya	(748.925)	(748.925)	(748.925)	-	-
L/C yang tidak dapat dibatalkan	-	(2.050.678)	(428.597)	(1.220.857)	(401.224)
Fasilitas kredit yang belum digunakan - committed	-	(9.611.269)	-	-	(9.611.269)
	(88.018.028)	(100.395.176)	(75.876.905)	(3.936.966)	(20.581.305)
<u>Liabilitas derivatif</u>					<u>Derivative payables</u>
Diperdagangkan:					Trading:
Arus kas keluar	(659.526)	(66.202.228)	(39.797.477)	(13.978.151)	(12.426.600)
Arus kas masuk	-	66.490.004	39.543.431	13.354.231	13.592.342
	(659.526)	287.776	(254.046)	(623.920)	1.165.742
	(88.677.554)	(100.107.400)	(76.130.951)	(4.560.886)	(19.415.563)

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.

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.

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4. MANAJEMEN RISIKO (lanjutan)

d. Risiko likuiditas (lanjutan)

Eksposur risiko likuiditas (lanjutan)

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.

Analisa jatuh tempo liabilitas keuangan bruto Bank (bukan untuk tujuan diperdagangkan) berdasarkan periode tersisa sampai dengan tanggal jatuh tempo kontraktual pada tanggal 31 Desember 2021 dan 2020 adalah sebagai berikut:

4. RISK MANAGEMENT (continued)

d. Liquidity risk (continued)

Exposure to liquidity risk (continued)

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.

The analysis of maturities of the Bank's gross financial liabilities (not for trading purpose) based on remaining period to contractual maturity as of 31 December 2021 and 2020 are as follows:

2021							Nilai tercatat sebelum dikurangi penyisihan kerugian penurunan nilai/ Carrying amount before allowance for impairment losses
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		
Liabilitas							Liabilities
Simpanan dari nasabah	-	(81.698.823)	(3.707.955)	-	-	(85.406.778)	Deposits from customers
Simpanan dari bank-bank lain	(5.940.073)	-	-	-	-	(5.940.073)	Deposits from other banks
Utang akseptasi	(870.516)	(1.209.124)	(522.568)	-	-	(2.602.208)	Acceptance payables
Beban akrual dan provisi	(422.388)	-	-	-	-	(422.388)	Accruals and provisions
Liabilitas lain-lain	(447.630)	-	-	-	-	(447.630)	Other liabilities
Pinjaman yang diterima	-	(6.199.838)	-	-	-	(6.199.838)	Borrowings
Pinjaman subordinasi	-	-	(1.068.937)	-	-	(1.068.937)	Subordinated debts
Jumlah liabilitas	(447.630)	(7.232.977)	(89.107.785)	(5.299.460)	-	(102.087.852)	Total liabilities
2020							Nilai tercatat sebelum dikurangi penyisihan kerugian penurunan nilai/ Carrying amount before allowance for impairment losses
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		
Liabilitas							Liabilities
Simpanan dari nasabah	(51.152.375)	(18.026.605)	(1.875.629)	(1.105.222)	-	(72.159.831)	Deposits from customers
Simpanan dari bank-bank lain	(4.491.715)	-	-	-	-	(4.491.715)	Deposits from other banks
Utang akseptasi	-	(987.334)	(821.957)	(237.766)	-	(2.047.057)	Acceptance payables
Beban akrual dan provisi	-	(76.507)	-	-	-	(76.507)	Accruals and provisions
Liabilitas lain-lain	(748.925)	-	-	-	-	(748.925)	Other liabilities
Pinjaman yang diterima	-	-	(1.405.000)	(6.111.750)	-	(7.516.750)	Borrowings
Pinjaman subordinasi	-	-	-	-	(1.053.750)	(1.053.750)	Subordinated debts
Jumlah liabilitas	(56.393.015)	(19.090.446)	(2.697.586)	(2.747.988)	(6.111.750)	(88.094.535)	Total liabilities

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4. MANAJEMEN RISIKO (lanjutan)

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 pengendalian internal 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. *Non Financial Risk (NFR) Guiding Principles* dan *NFR Technical User Guide* adalah pendekatan menyeluruh yang diterapkan oleh Bank untuk mengelola risiko operasionalnya sesuai dengan strategi bisnis dan risiko operasional dan objektif, dan untuk mengelola tingkat risiko sesuai dengan *appetite* risiko operasional.

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.

- Risiko operasional merupakan tanggung jawab seluruh karyawan dan lini manajemen, dimana pengelolaan atas risiko ini diatur melalui *Non Financial Risk (NFR) Guiding Principles* dan *NFR Technical User Guide*;
- 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 lini bisnis dan fungsi, baik untuk 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 Direksi. Kerugian risiko operasional secara keseluruhan dicatat dan keterangan lengkap mengenai insiden di atas ambang material dilaporkan; 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 pengujian tambahan dilaksanakan apabila terdapat kantor dari Bank yang terkena suatu kejadian yang menyebabkan gangguan terhadap proses bisnis, untuk menyertakan pembelajaran yang didapat dalam pemulihan operasi dari situasi tersebut.

4. RISK MANAGEMENT (continued)

e. Operational risk

Operational risk is the potential loss 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. *Non Financial Risk (NFR) Guiding Principles* and *NFR Technical User Guide* is the overarching approach adopted by the Bank to manage its operational risk in accordance with business and operational risk strategies and objectives, and to manage the risk within its operational risk appetite.

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.

- Operational risk is primarily the responsibility of all employees and line management, management of this risk is supported by the *Non Financial Risk (NFR) Guiding Principles* and *NFR Technical User Guide*;
- 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 by businesses and functions, 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 Directors. Aggregate operational risk losses are recorded and details of incidents above a materiality threshold are reported; 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 (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 2021 dan 2020 adalah:

	Catatan/ Notes	2021	2020
Modal tier 1			
Modal saham	26	10.586.395	10.586.395
Tambahan modal disetor	27	257.610	257.610
Cadangan umum	28	62.519	49.419
Saldo laba		7.410.731	6.624.734
Laba periode berjalan		1.472.889	1.309.994
Penghasilan komprehensif lain		363.189	502.279
Selisih kurang antara penyesisihan wajib dan cadangan kerugian penurunan nilai atas aset produktif		-	-
Penyesisihan Penghapusan Aset (PPA) atas aset non-produktif yang wajib dihitung		(93.878)	(64.583)
Perhitungan pajak tangguhan		(212.799)	(265.832)
Aset tidak berwujud lainnya		(44.221)	(89.121)
		<u>19.802.435</u>	<u>18.910.895</u>
Modal tier 2			
Pinjaman subordinasi		1.068.937	1.053.750
Cadangan umum aset produktif		<u>712.161</u>	<u>799.888</u>
Jumlah modal		<u>21.583.533</u>	<u>20.764.533</u>
Aset Tertimbang Menurut Risiko			
Risiko kredit		57.405.467	63.979.090
Risiko pasar		1.464.988	1.733.038
Risiko operasional		<u>12.899.511</u>	<u>12.043.510</u>
Jumlah Aset Tertimbang Menurut Risiko		<u>71.769.966</u>	<u>77.755.638</u>
Rasio Kewajiban Penyediaan Modal Minimum			
Rasio CET 1		30,07%	26,70%
Rasio tier 1		27,59%	24,32%
Rasio tier 2		2,48%	2,38%
Capital Conservation Buffer		2,50%	2,50%
Countercyclical Buffer		0,00%	0,00%
Domestically Systemically Important Bank		1,00%	1,00%
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%
Rasio CET 1 minimum yang diwajibkan		4,50%	4,50%
Rasio Tier 1 minimum yang diwajibkan		6,00%	6,00%

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 36) sebagai bagian dari komponen modal pelengkap (modal Tier 2) efektif mulai November 2017.

4. 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 2021 and 2020 are as follows:

Tier 1 capital
Share capital
Additional paid-in-capital
General reserve
Retained earnings
Profit for the period
Other comprehensive income
Negative differences between regulatory provision and allowance for impairment losses on productive assets
Non-earning asset provision that should be calculated
Deferred tax calculation
Other intangible assets
Tier 2 capital
Subordinated debt
General allowance for earning assets
Total capital
Risk Weighted Asset
Credit risk
Market risk
Operational risk
Total Risk Weighted Assets
Capital Adequacy Ratio
CET 1 Ratio
Tier 1 Ratio
Tier 2 Ratio
Capital Conservation Buffer
Countercyclical Buffer
Domestically Systemically Important Bank
Required Capital Adequacy Ratio
Required minimum CET 1 Ratio
Required minimum Tier 1 Ratio

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 36) as supplementary capital (Tier 2 capital) component effectively since November 2017.

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4. MANAJEMEN RISIKO (lanjutan)**f. Manajemen modal (lanjutan)****Modal yang diwajibkan regulator (lanjutan)**

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. Surat ini telah diperbaharui beberapa kali, terakhir berdasarkan surat Nomor S-137/PB.33/2021 tertanggal 15 Oktober 2021.

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 2021 dengan menggunakan peringkat profil risiko posisi 30 Juni 2021.

Profil risiko merupakan bagian dari tingkat kesehatan bank yang dinilai tiap semester.

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 2021, KPMM Bank berada pada level di atas modal minimum yang diwajibkan tersebut, yaitu sebesar 30.07%.

4. RISK MANAGEMENT (continued)**f. Capital management (continued)****Regulatory capital (continued)**

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. The letter has been amended several times, the recent OJK letter was dated 15 October 2021 Number S-137/PB.33/2021.

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 2021 by using 30 June 2021 risk profile rating.

The risk profile is part of bank's soundness which is assessed semi-annually.

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 2021, the Bank's CAR was 30.07%, 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 dan nilai wajar melalui pendapatan komprehensif lainnya (FVOCI) 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 and fair value through other comprehensive income (FVOCI) 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)**

Perhitungan ECL sesuai PSAK 71 memerlukan Bank untuk menggunakan pertimbangan, asumsi dan estimasi. Beberapa yang signifikan antara lain:

- Mendefinisikan peningkatan risiko kredit yang signifikan
- Menentukan saat pengakuan awal dan perkiraan umur instrumen cerukan dan kartu kredit
- Memilih dan mengkalibrasi model PD, LGD dan EAD, yang mendukung perhitungan, termasuk pertimbangan yang wajar dan didukung tentang bagaimana model bereaksi terhadap kondisi ekonomi saat ini dan masa depan
- Memilih model masukan dan prakiraan ekonomik, termasuk menetapkan apakah prakiraan ekonomik yang memadai dan tertimbang secara wajar dimasukkan dalam memperhitungkan kerugian ekspektasi yang tidak bias.

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.

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.

**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 calculation of the Bank's ECL under SFAS 71 requires the Bank to make a number of judgements, assumptions and estimates. The most significant are set out below:

- Defining what is considered to be a significant increase in credit risk
- Determining the lifetime and point of initial recognition of overdrafts and credit cards
- Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions
- Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected loss

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.

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.

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**5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)**
**a. Sumber utama atas ketidakpastian taksiran
(lanjutan)**
a.3. Imbalan kerja karyawan

Nilai kini kewajiban pensiun tergantung pada beberapa faktor yang ditentukan dengan dasar aktuarial berdasarkan beberapa asumsi. Asumsi yang digunakan untuk menentukan biaya/(penghasilan) pensiun neto mencakup tingkat diskonto dan kenaikan gaji di masa datang. Adanya perubahan pada asumsi ini akan mempengaruhi jumlah tercatat kewajiban pensiun.

Bank menentukan tingkat diskonto dan kenaikan gaji masa datang yang sesuai pada akhir periode pelaporan. Tingkat diskonto adalah tingkat suku bunga yang harus digunakan untuk menentukan nilai kini atas estimasi arus kas keluar masa depan yang diharapkan untuk menyelesaikan kewajiban pensiun. Dalam menentukan tingkat suku bunga yang sesuai, Bank mempertimbangkan tingkat suku bunga obligasi Pemerintah yang didenominasikan dalam mata uang imbalan akan dibayar dan memiliki jangka waktu yang serupa dengan jangka waktu kewajiban pensiun yang terkait.

a.4. Aset pajak tangguhan

Aset pajak tangguhan diakui atas jumlah pajak penghasilan terpulihkan (*recoverable*) pada periode mendatang sebagai akibat perbedaan temporer yang boleh dikurangkan. Justifikasi manajemen diperlukan untuk menentukan jumlah aset pajak tangguhan yang dapat diakui, sesuai dengan waktu yang tepat dan tingkat laba fiskal di masa mendatang sejalan dengan strategi rencana perpajakan ke depan.

a.5. Penyusutan dan estimasi umur manfaat aset tetap

Biaya perolehan aset tetap disusutkan dengan menggunakan metode garis lurus berdasarkan taksiran masa manfaat ekonomisnya. Manajemen Bank mengestimasi masa manfaat ekonomis aset tetap antara 3 (tiga) sampai dengan 20 (dua puluh) tahun.

Perubahan tingkat pemakaian dan perkembangan teknologi dapat mempengaruhi masa manfaat ekonomis dan nilai sisa aset, dan karenanya biaya penyusutan masa depan mungkin direvisi.

Nilai tercatat atas aset tetap Bank diungkapkan pada Catatan 18.

b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank

Pertimbangan akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank meliputi:

**5. USE OF ESTIMATES AND JUDGMENTS
(continued)**
**a. Key sources of estimation uncertainty
(continued)**
a.3. Employee benefit

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate and future salary increase. Any changes in these assumptions will have an impact on the carrying amount of pension obligations.

The Bank determines the appropriate discount rate and future salary increase at the end of each reporting period. The discount rate is interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

a.4. Deferred tax asset

Deferred tax assets are recognized for the future recoverable taxable income arising from temporary difference. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing on level of future taxable profits together with future strategic planning.

a.5. Depreciation and estimated useful life of fixed assets

Cost of acquisition of fixed assets are depreciated using the straight-line method based on their estimated economic useful life. Bank's management estimates the useful lives of the assets between 3 (three) to 20 (twenty) years.

Changes in the level of usage and technological developments could affect the economic useful lives and residual value of assets, and therefore future depreciation charges may be revised.

The carrying value of the Bank's fixed assets is disclosed in Note 18.

b. Critical accounting judgments in applying the Bank's accounting policies

Critical accounting judgments made in applying the Bank's accounting policies include:

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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

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.

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.

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

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.

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 time 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.

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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:

- Level 1: Kuotasi harga pasar: instrumen keuangan yang diukur dengan menggunakan harga kuotasian (tanpa disesuaikan) dalam pasar aktif untuk instrumen yang identik.
- Level 2: Teknik penilaian menggunakan input yang dapat diobservasi: instrumen keuangan yang diukur dengan menggunakan harga kuotasian untuk instrumen serupa dalam pasar aktif atau harga kuotasian untuk instrumen serupa atau identik dari pasar yang dipertimbangkan sebagai kurang aktif dan instrumen keuangan yang diukur menggunakan model dimana seluruh *input* signifikan dapat diobservasi secara langsung maupun tidak langsung dari data pasar.
- 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 kuotasian 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:

- 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.
- Level 3: Valuation techniques using significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable. This category includes instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines the fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which the market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rate, credit spreads and other premiums used in estimating discount rates, bond prices, foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation technique is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at *arm's length*.

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5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank
(lanjutan)

b.1. Penilaian instrumen keuangan (lanjutan)

Kerangka penilaian (lanjutan)

Bank menerapkan model penilaian yang secara umum digunakan untuk menentukan nilai wajar instrumen keuangan yang umum dan tidak kompleks seperti kontrak berjangka valuta asing yang hanya menggunakan data pasar yang dapat diobservasi dan hanya memerlukan sedikit pertimbangan dan estimasi manajemen. Harga yang dapat diobservasi dan *input* dalam model biasanya tersedia di pasar untuk obligasi yang terdaftar di bursa. Ketersediaan harga pasar yang dapat diobservasi dan *input* dalam model mengurangi kebutuhan untuk pertimbangan dan estimasi manajemen, dan juga mengurangi ketidakpastian yang terkait dengan penentuan nilai wajar. Ketersediaan harga pasar dan *input* bervariasi tergantung pada produk dan pasar, dan sangat dipengaruhi oleh perubahan berdasarkan kejadian tertentu dan kondisi umum pasar keuangan.

Instrumen keuangan yang diukur pada nilai wajar

Tabel di bawah ini memberikan analisis instrumen keuangan yang diukur pada nilai wajar pada akhir periode pelaporan, berdasarkan hirarki nilai wajar:

5. USE OF ESTIMATES AND JUDGMENTS
(continued)

b. Critical accounting judgments in applying the Bank's accounting policies (continued)

b.1. Valuation of financial instruments
(continued)

Valuation framework (continued)

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like foreign exchange forward contracts that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt securities. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Financial instruments measured at fair values

The table below analyses financial instruments measured at fair value at the end of the reporting period, based on fair value hierarchy:

2021						
Catatan/ Notes	Level 1	Level 2	Level 3	Jumlah/ Total		
Aset keuangan dalam kelompok diperdagangkan	12	-	2.703.991	-	2.703.991	Financial assets held for trading
Tagihan derivatif	13	630	181.281	20.730	202.641	Derivative receivables
Efek-efek untuk tujuan investasi	11	-	21.120.592	-	21.120.592	Investment securities
		630	24.005.864	20.730	24.027.224	
Liabilitas derivatif	13	(2.363)	(185.697)	-	(188.060)	Derivative payables
2020						
Catatan/ Notes	Level 1	Level 2	Level 3	Jumlah/ Total		
Aset keuangan dalam kelompok diperdagangkan	12	-	1.217.717	-	1.217.717	Financial assets held for trading
Tagihan derivatif	13	6.929	652.602	11.967	671.498	Derivative receivables
Efek-efek untuk tujuan investasi	11	-	17.860.822	-	17.860.822	Investment securities
		6.929	19.731.141	11.967	19.750.037	
Liabilitas derivatif	13	(3.693)	(648.027)	(7.806)	(659.526)	Derivative payables

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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

Tabel di bawah ini memberikan analisis instrumen keuangan yang diukur pada nilai wajar pada akhir periode pelaporan. berdasarkan hirarki nilai wajar: (lanjutan)

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables
2021			
Saldo 1 Januari	-	11.967	7.806
Laba/(rugi) diakui:			
- Dalam laba rugi	-	(2.730)	-
- Dalam laba rugi dari posisi penyelesaian	-	-	-
Pembelian	-	-	-
Penyelesaian dan penjualan	-	23.319	-
Transfer ke level 3	-	-	-
Transfer dari level 3	-	(12.139)	(7.919)
Efek kurs	-	313	113
Saldo 31 Desember	<u>=</u>	<u>20.730</u>	<u>=</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
2021			
Total laba selama periode yang termasuk dalam laba rugi:			
Pendapatan/(rugi) bersih transaksi perdagangan	-	(2.588)	-
Total laba selama periode yang termasuk dalam laba rugi atas aset dan liabilitas yang dimiliki pada akhir tahun pelaporan:			
Pendapatan bersih transaksi perdagangan	-	8.591	7.919

**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

The table below analyses financial instruments measured at fair value at the end of the reporting period. based on fair value hierarchy: (continued)

2021	
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:

2021	
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 2020:

	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for sale	Tagihan derivatif/ Derivative receivables	Liabilitas derivatif/ Derivative payables
2020			
Saldo 1 Januari	-	44.600	33.207
Laba/(rugi) diakui:			
- Dalam laba rugi	-	(8.183)	(7.000)
- Dalam laba rugi dari posisi penyelesaian	-	(2.873)	(2.275)
Pembelian	-	-	-
Penyelesaian dan penjualan	-	272	-
Transfer ke level 3	-	-	-
Transfer dari level 3	-	(22.789)	(16.840)
Efek kurs	-	940	714
Saldo 31 Desember	<u>-</u>	<u>11.967</u>	<u>7.806</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
2020			
Total laba selama periode yang termasuk dalam laba rugi:			
Pendapatan/(rugi) bersih transaksi perdagangan	-	(7.815)	6.712
Total laba selama periode yang termasuk dalam laba rugi atas aset dan liabilitas yang dimiliki pada akhir tahun pelaporan:			
Pendapatan bersih transaksi perdagangan	-	(33.206)	25.827

**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 2020:

2020
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:

2020
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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(lanjutan)**
b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank (lanjutan)
b.1. Penilaian instrumen keuangan (lanjutan)
Penyesuaian nilai wajar

Penyesuaian atas nilai wajar diterapkan ketika Bank mempertimbangkan bahwa terdapat faktor-faktor tambahan yang dipertimbangkan oleh pelaku pasar tapi tidak terdapat di dalam teknik penilaian. Tingkat penyesuaian atas nilai wajar tergantung pada banyak faktor yang spesifik terhadap entitas, sejauh Bank berkeyakinan bahwa pelaku pasar pihak ketiga akan mempertimbangkan hal-hal tersebut dalam menentukan harga transaksi.

Instrumen keuangan yang tidak diukur pada nilai wajar

Pada 31 Desember 2021 dan 2020, 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 27.

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)
Fair value adjustments

Fair value adjustments are adopted when the Bank considers that there are additional factors that would be considered by a market participant that are not incorporated within the valuation model. The magnitude of fair value adjustments depends upon many entity-specific factors, to the extent that the Bank believes that a third party market participants would take them into account in pricing a transaction.

Financial instruments not measured at fair values

As of 31 December 2021 and 2020, 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 27.

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

	2021	2020
Rupiah	234.240	334.294
Valuta asing	195.616	292.913
Jumlah	429.856	627.207

Saldo kas dalam mata uang Rupiah termasuk jumlah kas pada ATM masing-masing sebesar Rp 31.176 dan Rp 46.409 pada tanggal 31 Desember 2021 dan 2020.

6. CASH

Rupiah
Foreign currencies
Total

Total cash in Rupiah currency included cash in ATMs amounting to Rp 31,176 and Rp 46,409 as of 31 December 2021 and 2020 respectively.

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7. GIRO PADA BANK INDONESIA

	2021	2020
Rupiah	7.106.549	2.833.089
Dolar Amerika Serikat	1.311.230	1.419.050
Jumlah	8.417.779	4.252.139

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 2021 dan 2020 adalah sebagai berikut:

	2021	2020
Rupiah		
- Giro Wajib Minimum	7,91%	4,12%
- Penyangga Likuiditas Makroprudensial	35,65%	39,17%
GWM valuta asing	4,18%	4,12%

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).

Sesuai PBI No.20/3/PBI/2018 dan perubahan terakhirnya dalam PBI No.23/16/PBI/2021; PADG No.20/10/PADG/2018 dan perubahan terakhirnya dalam PADG No.23/27/PADG/2021 yang efektif berlaku tanggal 21 Desember 2021 tentang Giro Wajib Minimum Dalam Rupiah dan Valuta Asing Bagi Bank Umum Konvensional, Bank Umum Syariah dan Unit Usaha Syariah, GWM dalam mata uang Rupiah ditetapkan sebesar 3,5% dari dana pihak ketiga dalam Rupiah. GWM dalam valuta asing ditetapkan sebesar 4% dari dana pihak ketiga dalam valuta asing.

Pada tanggal 31 Desember 2020, GWM Bank telah sesuai dengan PBI No. 22/19/PBI/2020 tanggal 16 Desember 2020 dan Peraturan Anggota Dewan Gubernur No. 22/35/PADG/2020 tanggal 23 Desember 2020 tentang Perubahan atas Peraturan Anggota Dewan Gubernur No. 22/4/PADG/2020 tentang pelaksanaan Peraturan Bank Indonesia No. 22/4/PBI/2020 tentang insentif bagi bank yang memberikan penyediaan dana untuk kegiatan ekonomi tertentu guna mendukung penanganan dampak perekonomian akibat wabah virus corona, dimana GWM Rupiah dipenuhi secara harian sebesar 3% dan secara rata-rata untuk masa laporan tertentu 3% serta valuta asing sebesar 4%.

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 2021 and 2020 are as follows:

		Rupiah
-		Minimum Statutory Reserve -
-		Macroprudential Liquidity Ratio -
		Foreign currencies GWM

Minimum Statutory Reserve is a minimum reserve that should be maintained by Bank in the current accounts with Bank Indonesia, while Macroprudential 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).

In accordance with PBI No.20/3/PBI/2018 and its latest amendment in PBI No.23/16/PBI/2021; PADG No.20/10/PADG/2018 and its latest amendment in PADG PADG No.23/27/PADG/2021 which was effective since 21 December 2021 regarding Statutory Reserve Requirement (GWM) in Rupiah and Foreign Currency of Conventional Banks, Sharia Banks and Sharia Business Units for 3.5% of total third party funds in Rupiah. GWM in foreign currencies is set at 4% of total third party funds in foreign currencies.

As of 31 December 2020, the Bank's Minimum Statutory Reserves complies with BI regulation No. 22/19/PBI/2020 dated 16 December 2020 and Governor Members Regulation No. 22/35/PADG/2020 dated 23 December 2020 regarding the Amendment of Governor Members Regulation No. 22/4/PADG/2020 regarding incentives for Bank that funding certain economic sector as countermeasures for economic downturn due to corona virus, with Rupiah Statutory Reserves is fulfilled on a daily basis of 3% and an average basis for a certain reporting period of 3% and foreign currencies of 4%.

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7. GIRO PADA BANK INDONESIA (lanjutan)

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%. Pada tanggal 31 Desember 2021, sesuai dengan PADG No.23/7/ PADG/2021 efektif 1 Mei 2021, ketentuan parameter disinsentif batas bawah dan batas atas adalah 0. GWM RIM pada tanggal 31 Desember 2021 dan 31 Desember 2020 masing-masing sebesar 0,5% dan 0%.

Bank telah memenuhi Peraturan Bank Indonesia yang berlaku tentang GWM Bank Umum Konvensional pada tanggal 31 Desember 2021 dan 2020.

7. DEMAND DEPOSIT WITH BANK INDONESIA
(continued)

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%. As at 31 December 2021, in compliance with PADG NO.23/7/PADG/2021 effective per 1 May 2021, the requirement for disincentive parameter at bottom and upper line is 0. The GWM on RIM as of 31 December 2021 and 31 December 2020 are 0.5% and 0%, respectively.

The Bank has fulfilled the prevailing Bank Indonesia's Regulation regarding GWM for Conventional Banks as at 31 December 2021 and 2020.

8. GIRO PADA BANK-BANK LAIN

	2021	2020
Rupiah	58.867	65.840
Valuta asing	3.305.125	3.674.900
Cadangan kerugian penurunan nilai	(553)	(107)
Jumlah giro pada bank-bank lain - bersih	3.363.439	3.740.633

Manajemen Bank berkeyakinan bahwa saldo penyisihan kerugian penurunan nilai yang dibentuk cukup untuk menutupi kemungkinan penurunan nilai giro pada bank-bank lain pada tanggal 31 Desember 2021.

8. DEMAND DEPOSITS WITH OTHER BANKS

Rupiah
Foreign currencies
Allowance for impairment losses
Total demand deposits with other banks -net

The Bank's management believes that the balance of allowance for impairment losses provided is adequate to cover possible impairment on demand deposits with other banks as of 31 December 2021.

9. PENEMPATAN PADA BANK INDONESIA

Penempatan pada Bank Indonesia berdasarkan mata uang adalah sebagai berikut:

	2021	2020
Rupiah	11.395.732	449.813
Valuta asing	7.739.108	702.500
Jumlah penempatan pada Bank Indonesia	19.134.840	1.152.313

9. PLACEMENTS WITH BANK INDONESIA

Placements with Bank Indonesia by currency were as follows:

Rupiah
Foreign currencies
Total placements with Bank Indonesia

10. PENEMPATAN PADA BANK-BANK LAIN

Penempatan pada bank-bank lain berdasarkan mata uang adalah sebagai berikut:

	2021	2020
Rupiah	-	135.000
Valuta asing	257.379	10.519.314
Cadangan kerugian penurunan nilai	(29)	(375)
Jumlah penempatan pada bank-bank lain	257.350	10.653.939

Manajemen Bank berkeyakinan bahwa saldo penyisihan kerugian penurunan nilai yang dibentuk cukup untuk menutupi kemungkinan penurunan nilai penempatan pada bank-bank lain pada tanggal 31 Desember 2021.

10. PLACEMENTS WITH OTHER BANKS

Placements with other banks by currency were as follows:

Rupiah
Foreign currencies
Allowance for impairment losses
Total placements with other banks

The Bank's management believes that the balance of allowance for impairment losses provided is adequate to cover possible impairment on placements with other banks as of 31 December 2021.

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11. EFEK-EFEK UNTUK TUJUAN INVESTASI

Pada tanggal 31 Desember 2021 dan 2020 seluruh efek-efek untuk tujuan investasi diklasifikasikan sebagai diukur pada nilai wajar melalui penghasilan komprehensif lain. Rincian efek-efek untuk tujuan investasi berdasarkan jenis adalah sebagai berikut:

	2021	2020
Nilai wajar melalui penghasilan komprehensif lain		
Obligasi pemerintah	14.228.152	14.121.011
Obligasi pemerintah - sukuk	6.892.440	3.739.811
Jumlah	21.120.592	17.860.822

Pada tanggal 31 Desember 2021 dan 2020, semua efek-efek untuk tujuan investasi merupakan transaksi dengan pihak ketiga.

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 2021 dan 2020 adalah sebagai berikut:

	2021	2020
Saldo 1 Januari - sebelum pajak penghasilan tangguhan	627.849	177.842
Penambahan (laba)/rugi yang belum direalisasi selama tahun berjalan	(134.712)	450.007
Laba yang direalisasi selama Tahun berjalan	(27.508)	-
Jumlah - sebelum pajak penghasilan tangguhan	465.629	627.849
Penyesuaian tarif pajak (Catatan 36g)	(12.559)	17.892
Pajak penghasilan tangguhan (Catatan 36g)	(89.881)	(143.462)
Saldo 31 Desember - bersih	363.189	502.279

Manajemen Bank berkeyakinan bahwa saldo cadangan kerugian penurunan nilai yang dibentuk adalah cukup untuk menutupi kemungkinan penurunan nilai efek-efek untuk tujuan investasi pada tanggal 31 Desember 2021.

11. INVESTMENT SECURITIES

As of 31 December 2021 and 2020 all investment securities were classified as fair value through other comprehensive income. Details of investment securities by type are as follows:

Fair value through other comprehensive income
Government bonds
Government bonds – sukuk

Total

As of 31 December 2021 and 2020, investment securities were all made with third parties.

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 2021 and 2020 are as follows:

Balance - 1 January before deferred income tax
Addition of unrealised (gain)/loss/ during the year,
Realised gain from sale during the year - net
Total - before deferred income tax
Tax rate adjustment (Note 36g)
Deferred income tax (Note 36g)
Balance 31 December - net

12. ASET KEUANGAN DALAM KELOMPOK DIPERDAGANGKAN

Aset keuangan dalam kelompok diperdagangkan terdiri dari:

	2021	2020
Obligasi pemerintah	2.309.136	1.155.381
Obligasi pemerintah - sukuk	394.855	62.336
Jumlah	2.703.991	1.217.717

12. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading consist of the following:

Government bonds
Government bonds - sukuk

Total

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13. TAGIHAN DAN LIABILITAS DERIVATIF

Tagihan dan liabilitas derivatif terdiri dari:

13. DERIVATIVE RECEIVABLES AND PAYABLES

Derivative receivables and payables consist of the following:

2021				
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	26.282.443	111.255	95.935	Currency forward contracts
Kontrak swap suku bunga	7.213.392	40.000	17.809	Interest rate swap contracts
Kontrak cross currency swap	3.909.156	50.774	71.961	Cross-currency swap contracts
Kontrak tunai valuta asing	3.004.346	610	2.353	Currency spot contracts
Kontrak currency option	1.119	2	2	Currency option contracts
		202.641	188.060	
2020				
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	26.699.836	481.936	466.261	Currency forward contracts
Kontrak swap suku bunga	8.302.656	93.527	92.589	Interest rate swap contracts
Kontrak cross currency swap	4.916.958	89.078	92.078	Cross-currency swap contracts
Kontrak tunai valuta asing	2.403.824	6.946	8.588	Currency spot contracts
Kontrak currency option	28.242	11	10	Currency option contracts
		671.498	659.526	

Manajemen Bank berkeyakinan bahwa tidak ada penyisihan kerugian penurunan nilai tagihan derivatif yang perlu diakui pada tanggal 31 Desember 2021 dan 2020.

The Bank's management believes that there was no allowance for impairment losses on derivative receivables to be recognised as of 31 December 2021 and 2020.

14. EFEK-EFEK YANG DIBELI DENGAN JANJI DIJUAL KEMBALI

Efek-efek yang dibeli dengan janji dijual kembali terdiri dari:

14. SECURITIES PURCHASED WITH AGREEMENT TO RESELL

Securities purchased with agreement to sell consist of the following:

2021				
Pihak lawan/ Counterparty	Tanggal dimulai/ Starting date	Tanggal jatuh tempo/ Maturity date	Tingkat suku bunga/ Interest rate	Nilai bersih/ Carrying amount
Bank Indonesia	29 Desember/December 2021	5 Januari/January 2022	3.5%	721.865
Bank Indonesia	27 Desember/December 2021	3 Januari/January 2022	3.5%	1.569.662
Bank Indonesia	28 Desember/December 2021	4 Januari/January 2022	3.5%	1.374.595
Bank Indonesia	29 Desember/December 2021	5 Januari/January 2022	3.5%	954.095
Bank Indonesia	30 Desember/December 2021	6 Januari/January 2022	3.5%	1.766.773
Bank Indonesia	31 Desember/December 2021	7 Januari/January 2022	3.5%	3.673.302
				10.060.292

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**14. EFEK-EFEK YANG DIBELI DENGAN JANJI DIJUAL
KEMBALI (lanjutan)**

Efek-efek yang dibeli dengan janji dijual kembali terdiri dari (lanjutan):

**14. SECURITIES PURCHASED WITH AGREEMENT TO
RESELL (continued)**

Securities purchased with agreement to sell consist of the following (continued):

Pihak lawan/ Counterparty	2020			
	Tanggal dimulai/ Starting date	Tanggal jatuh tempo/ Maturity date	Tingkat suku bunga/ Interest rate	Nilai bersih/ Carrying amount
Bank Indonesia	30 Desember/December 2020	6 Januari/January 2021	3.75%	1.987.158
Bank Indonesia	30 Desember/December 2020	6 Januari/January 2021	3.75%	1.828.093
Bank Indonesia	17 Desember/December 2020	15 Januari/January 2021	5.15%	125.175
Bank Indonesia	17 Desember/December 2020	15 Januari/January 2021	5.14%	262.463
Bank Indonesia	14 Desember/December 2020	15 Januari/January 2021	5.06%	148.695
Bank Indonesia	14 Desember/December 2020	15 Januari/January 2021	5.05%	198.261
Bank Indonesia	28 Desember/December 2020	4 Januari/January 2021	3.75%	1.604.400
Bank Indonesia	28 Desember/December 2020	4 Januari/January 2021	3.75%	2.665.461
Bank Indonesia	29 Desember/December 2020	5 Januari/January 2021	3.75%	154.685
Bank Indonesia	29 Desember/December 2020	5 Januari/January 2021	3.75%	318.457
				9.292.848

15. TAGIHAN DAN UTANG AKSEPTASI

15. ACCEPTANCE RECEIVABLES AND PAYABLES

	2021		2020		
	Tagihan akseptasi/ Acceptance receivables	Utang akseptasi/ Acceptance payables	Tagihan akseptasi/ Acceptance receivables	Utang akseptasi/ Acceptance payables	
Rupiah	849.608	(849.608)	674.157	(674.157)	Rupiah
Valuta asing	1.752.600	(1.752.600)	1.372.900	(1.372.900)	Foreign currencies
Total	2.602.208	(2.602.208)	2.047.057	(2.047.057)	Total
Dikurangi : Cadangan kerugian penurunan nilai	(4.305)		(25.398)		Less: Allowance for impairment losses
Jumlah	2.597.903	(2.602.208)	2.021.659	(2.047.057)	Total

Pada tanggal 31 Desember 2021, manajemen Bank berkeyakinan bahwa saldo cadangan kerugian penurunan nilai yang dibentuk adalah cukup untuk menutupi kemungkinan penurunan nilai tagihan akseptasi.

As of 31 December 2021, the Bank's management believes that the allowance for impairment losses was adequate to cover possible impairment on acceptance receivables.

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16. KREDIT YANG DIBERIKAN KEPADA NASABAH

16. LOANS TO CUSTOMERS

Kredit yang diberikan kepada nasabah pada biaya
perolehan diamortisasi:

Loans to customers at amortised cost:

a. Berdasarkan jenis kredit

a. By type of loan

	2021	2020
Rupiah		
Modal kerja	22.141.231	24.649.653
Investasi	6.433.335	5.036.804
Konsumsi	3.102.687	3.358.313
Karyawan	651.855	700.983
Jumlah - Rupiah	<u>32.329.108</u>	<u>33.745.753</u>
Valuta asing		
Modal kerja	18.892.173	20.283.422
Investasi	3.275.631	4.355.743
Konsumsi	18.911	9.253
Jumlah - valuta asing	<u>22.186.715</u>	<u>24.648.418</u>
Jumlah kredit yang diberikan kepada nasabah	54.515.823	58.394.171
Penyisihan kerugian penurunan nilai	<u>(3.187.683)</u>	<u>(3.059.585)</u>
Jumlah kredit yang diberikan kepada nasabah - bersih	<u>51.328.140</u>	<u>55.334.586</u>

Rupiah
Working capital
Investment
Consumer
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. Berdasarkan sektor ekonomi

b. By economic sector

	2021	2020
Rupiah		
Perindustrian	7.945.481	7.192.063
Pengangkutan, pergudangan dan jasa komunikasi	5.967.163	4.866.190
Perdagangan, restoran dan hotel	5.451.292	6.779.790
Jasa-jasa usaha	5.174.457	4.666.585
Konstruksi	3.458.746	4.693.739
Jasa-jasa sosial dan masyarakat	401.292	1.340.009
Pertanian, perkebunan dan sarana perkebunan	76.399	97.186
Pertambangan	76.266	45.659
Listrik, gas dan air	1.834	5.235
Lainnya	3.776.178	4.059.297
Jumlah - Rupiah	<u>32.329.108</u>	<u>33.745.753</u>
Valuta asing		
Perindustrian	14.898.591	16.225.033
Perdagangan, restoran dan hotel	2.415.958	3.074.912
Jasa-jasa usaha	1.022.002	2.016.688
Pertambangan	2.292.887	1.161.402
Pengangkutan, pergudangan dan jasa komunikasi	877.665	1.348.053
Konstruksi	372.935	273.050
Pertanian, perkebunan dan sarana perkebunan	287.765	540.027
Lainnya	18.912	9.253
Jumlah - valuta asing	<u>22.186.715</u>	<u>24.648.418</u>
Jumlah kredit yang diberikan kepada nasabah	54.515.823	58.394.171
Penyisihan kerugian penurunan nilai	<u>(3.187.683)</u>	<u>(3.059.585)</u>
Jumlah kredit yang diberikan kepada nasabah - bersih	<u>51.328.140</u>	<u>55.334.586</u>

Rupiah
Industry
Transportation, warehousing and communication
Trading, restaurant and hotel
Business services
Construction
Social and public services
Agriculture, plantation and plantation improvement
Mining
Electricity, gas and water
Others

Total - Rupiah

Foreign currencies
Industry
Trading, restaurant and hotel
Business services
Mining
Transportation, warehousing and communication
Construction
Agriculture, plantation and plantation improvement
Others

Total - foreign currencies

Total loans to customers
Allowance for impairment losses

Total loans to customers - net

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16. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)

16. LOANS TO CUSTOMERS (continued)

c. Berdasarkan klasifikasi Bank Indonesia

c. By Bank Indonesia classification

	2021	2020	
Rupiah			Rupiah
Lancar	30.895.367	31.927.400	Pass
Dalam perhatian khusus	277.416	352.710	Special mention
Kurang lancar	65.305	232.084	Substandard
Diragukan	41.996	59.647	Doubtful
Macet	1.049.024	1.173.912	Loss
Jumlah - Rupiah	32.329.108	33.745.753	Total - Rupiah
Valuta asing			Foreign currencies
Lancar	20.211.772	22.863.577	Pass
Dalam perhatian khusus	600.833	1.236.594	Special mention
Kurang lancar	42.954	50.012	Substandard
Diragukan	-	-	Doubtful
Macet	1.331.156	498.235	Loss
Jumlah - valuta asing	22.186.715	24.648.418	Total - foreign currencies
Jumlah kredit yang diberikan kepada nasabah	54.515.823	58.394.171	Total loans to customers
Penyisihan kerugian penurunan nilai	(3.187.683)	(3.059.585)	Allowance for impairment losses
Jumlah kredit yang diberikan kepada nasabah - bersih	51.328.140	55.334.586	Total loans to customers – net

d. Berdasarkan stage

d. By stage

2021					
	Stage 1	Stage 2	Stage 3	Jumlah/ Total	
Saldo awal	43.193.878	12.080.590	3.119.703	58.394.171	Beginning balance
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (Stage 2)	(13.181.301)	13.193.349	(12.048)	-	Transfer to lifetime expected credit losses (Stage 2)
Transfer ke kredit yang mengalami penurunan nilai (Stage 3)	(329.133)	(643.925)	973.058	-	Transfer to credit impaired (Stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (Stage 1)	4.200.337	(4.158.763)	(41.574)	-	Transfer to 12 month expected credit losses (Stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(5.242.698)	1.858.724	(33.749)	(3.417.723)	Net changes in exposure and remeasurement
Penghapusan	-	-	(289.376)	(289.376)	Written-off
Selisih kurs	187.122	124.218	29.446	340.786	Exchange rate difference
Penjualan kredit	-	-	(512.035)	(512.035)	Debt sales
Saldo akhir	28.828.205	22.454.193	3.233.425	54.515.823	Ending balance
2020					
	Stage 1	Stage 2	Stage 3	Jumlah/ Total	
Saldo awal				67.657.060	Beginning balance
Dampak penerapan awal PSAK 71				-	Effect on initial implementation SFAS 71
Saldo, setelah dampak penerapan awal PSAK 71	45.922.046	18.933.678	2.801.336	67.657.060	Balance, after affect on initial implementation
Transfer ke kerugian kredit ekspektasian 12 bulan (Stage 1)	7.864.069	(7.859.816)	(4.253)	-	Transfer to 12 months expected credit losses (Stage 1)
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (Stage 2)	(6.734.536)	6.736.120	(.584)	-	Transfer to lifetime expected credit losses (Stage 2)
Transfer ke kredit yang mengalami penurunan nilai (Stage 3)	713.529	(331.662)	1.045.151	-	Transfer to credit impaired (Stage 3)
Perubahan bersih pada eksposur dan pengukuran kembali	(3.515.623)	(5.544.586)	(203.006)	(9.263.215)	Net changes in exposure and measurement
Penghapusan	-	-	(553.229)	(553.229)	Written-off
Selisih kurs	371.451	146.816	35.288	553.555	Exchange rate difference
Saldo akhir	43.193.878	12.080.590	3.119.703	58.394.171	Ending balance

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16. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)

- e. Kredit modal kerja terdiri dari pinjaman rekening koran dan pinjaman dengan surat promes.

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*.

Kredit konsumsi terdiri dari kredit pemilikan rumah, kredit kendaraan bermotor, *personal loans*, dan kartu kredit.

- f. 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 1,08% - 33,40% pada tanggal 31 Desember 2021 dan berkisar antara 1,00%-40,00% pada tanggal 31 Desember 2020.

- g. Selama tahun yang berakhir tanggal 31 Desember 2021 dan 2020. Bank melakukan negosiasi kembali kredit dengan perpanjangan jangka waktu serta mengubah persyaratan pokok dan/atau bunga.

Program restrukturisasi terkait dengan COVID-19 juga dikategorikan sebagai kredit yang direnegosiasi.

Berdasarkan jenis kredit yang telah dinegosiasikan kembali:

	2021	2020
Investasi	588.397	517.446
Modal Kerja	167.231	709.013
Konsumsi	154.497	182.758
	910.125	1.409.217
Penyisihan kerugian penurunan nilai	(374.584)	(450.038)
Jumlah kredit yang telah dinegosiasikan kembali - bersih	535.541	959.179

Berdasarkan klasifikasi Bank Indonesia:

	2021	2020
Lancar	387.601	777.727
Dalam perhatian khusus	57.172	59.814
Kurang lancar	42.057	43.997
Diragukan	13.604	183
Macet	409.691	527.496
	910.125	1.409.217
Penyisihan kerugian penurunan nilai	(374.584)	(450.038)
Jumlah kredit yang telah dinegosiasikan kembali - bersih	535.541	959.179

- h. Pada tanggal 31 Desember 2021, Bank telah memenuhi ketentuan Batas Maksimum Pemberian Kredit (BMPK), baik untuk pihak berelasi maupun untuk pihak ketiga.

Tidak terdapat pelanggaran pada tanggal 31 Desember 2020, hanya terdapat pelampauan yang disebabkan oleh perubahan ketentuan yaitu dengan berlakunya POJK No.38/POJK.03/2019 tentang Perubahan atas Peraturan Otoritas Jasa Keuangan No.32/POJK.03/2018 tentang Batas Maksimum Pemberian Kredit dan Penyediaan Dana Besar bagi Bank Umum. Bank telah memiliki rencana tindak dengan target penyelesaian sesuai dengan ketentuan yang berlaku.

16. LOANS TO CUSTOMERS (continued)

- e. *Working capital loans consist of demand deposits loans and loans with promissory notes.*

Investment loans are the facilities given to debtors for investment purposes with terms depend on the investment period. Investment loans consist of term-loans.

Consumer loans consist of housing, motor vehicle ownership loans, personal loans, and credit card.

- f. *The syndicated loans represent loans granted to debtors under syndicated loan agreements with other banks. The Bank's participation in syndicated loans is ranging 1.08% - 33.40% as of 31 December 2021 and ranging 1.00% - 40.00% as of 31 December 2020.*

- g. *For the years ended 31 December 2021 and 2020. the Bank renegotiated loans through the extension of the period and modification of terms on principal and/or interest.*

COVID-19 restructuring program was also categorised as renegotiated loans.

By type of renegotiated loans

	2021	2020
Investasi	588.397	517.446
Modal Kerja	167.231	709.013
Konsumsi	154.497	182.758
	910.125	1.409.217
Penyisihan kerugian penurunan nilai	(374.584)	(450.038)
Jumlah kredit yang telah dinegosiasikan kembali - bersih	535.541	959.179

By Bank Indonesia classification:

	2021	2020
Lancar	387.601	777.727
Dalam perhatian khusus	57.172	59.814
Kurang lancar	42.057	43.997
Diragukan	13.604	183
Macet	409.691	527.496
	910.125	1.409.217
Penyisihan kerugian penurunan nilai	(374.584)	(450.038)
Jumlah kredit yang telah dinegosiasikan kembali - bersih	535.541	959.179

- h. *As of 31 December 2021, the Bank complied with Legal Lending Limit (LLL) requirements for both related parties and third parties.*

There was no breach as of 31 December 2020, there was only an excess due to change in regulation namely the effective of POJK No.38/POJK.03/2019 regarding changes on OJK regulation No.32/POJK.03/2018 in relation to Legal Lending Limit and Large Exposure for Commercial Bank. Bank already has action plan with targeted timeline in line with prevailing regulation.

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16. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)

- i. Pada tanggal 31 Desember 2021 dan 2020, rincian kredit bermasalah menurut sektor ekonomi adalah sebagai berikut:

	2021		2020		
	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	1.481.181	(1.222.813)	693.532	(473.666)	Industry
Perdagangan, restoran dan hotel	625.530	(511.702)	592.931	(424.266)	Trading, restaurant and hotel
Pengangkutan	283.544	(281.702)	472.414	(403.727)	Transportation
Konstruksi	36.549	(28.164)	77.148	(71.260)	Construction
Jasa-jasa usaha	34.023	(11.127)	52.432	(14.999)	Business services
Pertanian	15.728	(14.655)	15.610	(13.006)	Agriculture
Lainnya	53.880	(30.595)	109.823	(61.308)	Others
Jumlah	2.530.435	(2.100.758)	2.013.890	(1.462.232)	Total

- j. Rasio Non-Performing Loan (NPL) pada tanggal 31 Desember 2021 dan 2020 masing-masing adalah sebagai berikut:

	2021	2020	
NPL bruto	4,64%	3,45%	Gross NPL
NPL neto	0,79%	0,94%	Net NPL

- k. Pada tanggal 31 Desember 2021 dan 2020, kredit yang diberikan yang dijamin dengan jaminan tunai sebesar Rp 3.257.400 dan Rp 3.110.883 (Catatan 20).

16. LOANS TO CUSTOMERS (continued)

- i. As of 31 December 2021 and 2020, details of impaired loans based on economic sector are as follows:

- j. As of 31 December 2021 and 2020, the Non-Performing Loan (NPL) ratios are as follows:

- k. As of 31 December 2021 and 2020, loans collateralised by cash collateral amounted to Rp 3,257,400 and Rp 3,110,883 (Note 20).

- l. Perubahan penyisihan kerugian penurunan nilai kredit yang diberikan kepada nasabah adalah sebagai berikut:

- l. The movement of allowance for impairment losses on loans to customers are as follows:

	2021				
	Stage 1	Stage 2	Stage 3	Jumlah/ Total	
Saldo awal	310.774	695.975	2.052.836	3.059.585	Beginning balance
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (Stage 2)	(86.727)	90.842	(4.115)	-	Transfer to lifetime expected credit losses (Stage 2)
Transfer ke kredit yang mengalami penurunan nilai (Stage 3)	(5.087)	(70.932)	76.019	-	Transfer to credit impaired (Stage 3)
Transfer ke kerugian kredit ekspektasian 12 Bulan (Stage 1)	222.504	(207.618)	(14.886)	-	Transfer to 12 months expected credit losses (Stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(245.037)	4.978	1.083.417	843.358	Net changes in exposure and remeasurement
Penghapusan	-	-	(289.376)	(289.376)	Written-off
Pemulihan	-	-	137.051	137.051	Recovery
Selisih Kurs	(20.788)	(16.167)	43.189	6.234	Exchange kurs difference
Penjualan kredit	-	-	(531.302)	(531.302)	Debt sales
Transfer dari instrumen keuangan lainnya	-	-	19.267	19.267	Transfer from other financial instrument
Efek diskonto	-	-	(57.134)	(57.134)	Diskonto effects
Saldo akhir	175.639	497.078	2.514.966	3.187.683	Ending balance

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**16. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)**

- I. Perubahan penyisihan kerugian penurunan nilai kredit yang diberikan kepada nasabah adalah sebagai berikut: (lanjutan)

16. LOANS TO CUSTOMERS (continued)

- I. The movement of allowance for impairment losses on loans to customers are as follows: (continued)

	2020				
	Stage 1	Stage 2	Stage 3	Jumlah/ Total	
Saldo awal				2.123.183	Beginning balance
Dampak penerapan awal PSAK 71 (lihat catatan 37)				(169.001)	Effect on initial implementation SFAS 71 (refer to note 37)
Saldo, setelah dampak penerapan awal PSAK 71	256.127	267.021	1.431.034	1.954.182	Balance, after affect on initial implementation
Transfer ke kerugian kredit ekspektasian 12 bulan (Stage 1)	96.866	(90.945)	(5.921)	-	Transfer to 12 months expected credit losses (Stage 1)
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (Stage 2)	(34.036)	34.036	-	-	Transfer to lifetime expected credit losses (Stage 2)
Transfer ke kredit yang mengalami penurunan nilai (Stage 3)	(4.472)	(33.463)	37.935	-	Transfer to credit impaired (Stage 3)
Perubahan bersih pada eksposur dan pengukuran kembali	(5.151)	516.350	1.077.457	1.588.656	Net changes in exposure and measurement
Penghapusan	-	-	(553.229)	(553.229)	Written-off
Pemulihan	-	-	121.351	121.351	Recovery
Efek diskonto	-	-	(68.193)	(68.193)	Diskonto effects
Selisih kurs	1.440	2.976	12.402	16.818	Exchange rate difference
Saldo akhir	310.774	695.975	2.052.836	3.059.585	Ending balance

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.

17. ASET LAIN-LAIN

Pada tanggal 31 Desember 2021 dan 2020, aset lain-lain Bank adalah sebagai berikut:

17. OTHER ASSETS

As of 31 December 2021 and 2020, Bank's other assets are as follows:

	2021	2020	
Pendapatan yang masih akan diterima	612.114	639.325	Accrued income
Transaksi dalam proses penyelesaian	144.971	1.254.682	Transaction in process of settlement
Aset yang dimiliki untuk dijual setelah dikurangi dengan provisi sebesar Rp 69.392 pada 31 Desember 2021 dan Rp 69.447 pada 31 Desember 2020	138.434	142.149	Assets held for sale net of provisions amounting to Rp 69,392 as of 31 December 2021 and Rp 69,447 as of 31 December 2020
Jaminan setoran	48.549	31.077	Security deposits
Beban dibayar dimuka	29.243	4.210	Prepayments
Tagihan transaksi Letter of Credit	27.743	441.389	Letter of Credit transactions
Uang muka	16.120	33.059	Advances
Lainnya	50.560	57.807	Others
Jumlah	1.067.734	2.603.698	Total

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18. ASET TETAP

Pada tanggal 31 Desember 2021 dan 2020, aset tetap terdiri dari:

18. FIXED ASSETS

As of 31 December 2021 and 2020, Bank's fixed assets consist of the following:

	2021	2020	
Aset tetap setelah dikurangi akumulasi penyusutan sebesar Rp 1.211.731 pada 31 Desember 2021, Rp 1.071.399 pada 31 Desember 2020	473.409	570.616	Properties and equipments net of accumulated depreciation of Rp 1,211,731 on 31 December 2021, Rp 1,071,399 on 31 December 2022
Hak Guna Usaha setelah dikurangi akumulasi penyusutan sebesar Rp 203.337 pada 31 Desember 2021, Rp 156.382 pada 31 Desember 2020	360.045	319.413	Rights of Use Asset net of accumulated depreciation of Rp 203,337 on 31 December 2021, Rp 156,382 on 31 December 2020
Jumlah	833.454	890.029	Total

Rincian penjualan aset tetap Bank adalah sebagai berikut:

The detail of the sale of Bank's fixed assets are as follows:

	2021	2020	
Aset tetap:			Fixed assets:
Harga perolehan	(101.315)	(158.965)	Cost
Akumulasi penyusutan	87.165	141.648	Accumulated depreciation
Nilai buku bersih	(14.150)	(17.317)	Net book value
Harga jual	624	1.776	Selling price
Rugi penjualan aset tetap	(13.526)	(15.541)	Loss on sales of fixed assets

2021						
Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Reklasifikasi/ Reclassifications	Saldo akhir/ Closing balance		
Harga perolehan						Cost
Tanah	130.994	-	-	130.994		Land
Bangunan	33.790	-	-	33.790		Buildings
Perbaikan gedung	472.698	34.464	(58.506)	462.184		Buildings improvement
Perabot dan perlengkapan kantor	834.317	62.680	(42.809)	854.188		Office furniture and fixtures
Aset dalam penyelesaian	13.834	341	-	647		Construction in progress
	1.485.633	97.485	(101.315)	1.481.803		
Akumulasi penyusutan						Accumulated depreciation
Bangunan	(21.386)	(1.105)	-	(22.491)		Buildings
Perbaikan gedung	(292.549)	(44.870)	45.988	(291.431)		Buildings improvement
Perabot dan perlengkapan kantor	(601.082)	(134.567)	41.177	(694.472)		Office furniture and fixtures improvement
	(915.017)	(180.542)	87.165	(1.008.394)		
Nilai buku bersih	570.616			473.409		Net book value

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18. ASET TETAP (lanjutan)

18. FIXED ASSETS (continued)

2020						
	Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Reklasifikasi/ Reclassifications	Saldo akhir/ Closing balance	
Harga perolehan						Cost
Tanah	130.994	-	-	-	130.994	Land
Bangunan	33.790	-	-	-	33.790	Buildings
Perbaikan gedung	549.982	20.193	(97.477)	-	472.698	Buildings improvement
Perabot dan perlengkapan kantor	867.600	28.742	(61.067)	(958)	834.317	Office furniture and fixtures
Kendaraan bermotor	421	-	(421)	-	-	Motor vehicles
Aset dalam penyelesaian	-	13.834	-	-	13.834	Construction in progress
	<u>1.582.787</u>	<u>62.769</u>	<u>(158.965)</u>	<u>(958)</u>	<u>1.485.633</u>	
Akumulasi penyusutan						Accumulated depreciation
Bangunan	(20.197)	(1.189)	-	-	(21.386)	Buildings
Perbaikan gedung	(316.846)	(57.669)	81.966	-	(292.549)	Buildings improvement
Perabot dan perlengkapan kantor	(529.166)	(132.153)	59.261	976	(601.082)	Office furniture and fixtures
Kendaraan bermotor	(421)	-	421	-	-	Motor vehicles
	<u>(866.630)</u>	<u>(191.011)</u>	<u>141.648</u>	<u>976</u>	<u>(915.017)</u>	
Nilai buku bersih	<u>716.157</u>				<u>570.616</u>	Net book value

Pada tanggal 31 Desember 2021 dan 2020, semua aset tetap yang dimiliki Bank merupakan kepemilikan langsung.

As at 31 December 2021 and 2020, all fixed assets held by the Bank are direct ownership.

Pada tanggal 31 Desember 2021 dan 2020, manajemen berkeyakinan bahwa tidak terdapat penurunan nilai aset tetap yang dimiliki Bank karena manajemen berpendapat bahwa nilai tercatat aset tetap tidak melebihi estimasi nilai yang dapat diperoleh kembali.

As at 31 December 2021 and 2020, management believes that there is no impairment in the value of fixed assets owned by the Group because management believes that the carrying amounts of fixed assets do not exceed the estimated recoverable amount.

Pada tanggal 31 Desember 2021 dan 2020, tidak terdapat perubahan umur ekonomis aset tetap.

As at 31 December 2021 and 2020, there is no changes in the useful life of fixed assets.

Pada tanggal 31 Desember 2021 dan 2020, aset hak-guna terdiri dari:

As of 31 December 2021 and 2020, Bank's rights-of-use assets consist of the following:

2021					
	Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Saldo akhir/ Closing balance	
Harga perolehan					Cost
Bangunan	465.453	135.036	(39.167)	561.322	Buildings
Kendaraan bermotor	10.342	2.559	(10.841)	2.060	Motor vehicles
	<u>475.795</u>	<u>137.595</u>	<u>(50.008)</u>	<u>563.382</u>	
Akumulasi penyusutan					Accumulated depreciation
Bangunan	(148.073)	(81.876)	27.346	(202.603)	Buildings
Kendaraan bermotor	(8.309)	(3.256)	10.831	(734)	Motor vehicles
	<u>(156.382)</u>	<u>(85.132)</u>	<u>38.177</u>	<u>(203.337)</u>	
Nilai buku bersih	<u>319.413</u>			<u>360.045</u>	

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18. ASET TETAP (lanjutan)

Pada tanggal 31 Desember 2021 dan 2020, aset hak-guna terdiri dari: (lanjutan)

18. FIXED ASSETS (continued)

As of 31 December 2021 and 2020, Bank's rights-of-use assets consist of the following: (continued)

2020				
	Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Saldo akhir/ Closing balance
Harga perolehan				
Bangunan	531.253	105.695	(171.495)	465.453
Kendaraan bermotor	9.718	1.090	(466)	10.342
	<u>540.971</u>	<u>106.785</u>	<u>(171.961)</u>	<u>475.795</u>
Akumulasi penyusutan				
Bangunan	(99.944)	(87.560)	39.431	(148.073)
Kendaraan bermotor	(4.129)	(4.180)	-	(8.309)
	<u>(104.073)</u>	<u>(91.740)</u>	<u>39.431</u>	<u>(156.382)</u>
Nilai buku bersih	<u>436.898</u>			<u>319.413</u>

Cost
Buildings
Motor vehicles

**Accumulated
depreciation**
Buildings
Motor vehicles

Net book value

19. ASET TAKBERWUJUD

Pada tanggal 31 Desember 2021 dan 2020, aset takberwujud terdiri dari:

19. INTANGIBLE ASSETS

As of 31 December 2021 and 2020, Bank's intangible assets consist of the following:

2021				
	Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Saldo akhir/ Closing balance
Harga perolehan				
Perangkat lunak	332.147	12.906	(29.666)	315.387
	<u>332.147</u>	<u>12.906</u>	<u>(29.666)</u>	<u>315.387</u>
Akumulasi amortisasi				
Perangkat lunak	(243.026)	(57.806)	29.666	(271.166)
	<u>(243.026)</u>	<u>(57.806)</u>	<u>29.666</u>	<u>(271.166)</u>
Nilai buku bersih	<u>89.121</u>			<u>44.221</u>
2020				
	Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Saldo akhir/ Closing balance
Harga perolehan				
Perangkat lunak	321.319	9.870	-	332.147
	<u>321.319</u>	<u>9.870</u>	<u>-</u>	<u>332.147</u>
Akumulasi amortisasi				
Perangkat lunak	(184.254)	(57.796)	-	(243.026)
	<u>(184.254)</u>	<u>(57.796)</u>	<u>-</u>	<u>(243.026)</u>
Nilai buku bersih	<u>137.065</u>			<u>89.121</u>

Cost
Software

**Accumulated
amortisation**
Software

Net book value

Cost
Software

**Accumulated
amortisation**
Software

Net book value

Seluruh aset takberwujud yang ada pada tanggal 31 Desember 2021 dan 2020 digunakan untuk menunjang aktivitas operasi Bank.

All of the intangible assets as at 31 December 2021 and 2020 are fully used to support Bank's operation activities.

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20. SIMPANAN DARI NASABAH

Simpanan dari nasabah pada tanggal 31 Desember 2021 dan 2020 terdiri dari:

	2021	2020
Rupiah		
Giro	33.461.663	24.362.497
Deposito berjangka dan <i>deposits on call</i>	20.370.790	17.221.473
Tabungan	7.448.071	6.607.904
	<u>61.280.524</u>	<u>48.191.874</u>
Valuta asing		
Giro	12.122.813	11.508.614
Tabungan	8.497.716	8.673.368
Deposito berjangka dan <i>deposits on call</i>	3.505.725	3.785.975
	<u>24.126.254</u>	<u>23.967.957</u>
Jumlah	<u>85.406.778</u>	<u>72.159.831</u>

Pada tanggal 31 Desember 2021 dan 2020, termasuk di dalam simpanan dari nasabah adalah jaminan untuk kredit yang diberikan kepada nasabah masing-masing sebesar Rp 3.185.385 dan Rp 1.947.360.

20. DEPOSITS FROM CUSTOMERS

Deposits from customers as of 31 December 2021 and 2020 consisted of the following:

	Rupiah
	<i>Demand deposits</i>
	<i>Time deposits and deposits on call</i>
	<i>Saving accounts</i>
	<i>Foreign currencies</i>
	<i>Demand deposits</i>
	<i>Saving accounts</i>
	<i>Time deposits and deposits on call</i>
	<i>Total</i>

As of 31 December 2021 and 2020, included in deposits from customers are collaterals for loans to customers amounted Rp 3,185,385 and Rp 1,947,360, respectively.

21. SIMPANAN DARI BANK - BANK LAIN

Simpanan dari bank-bank lain pada tanggal 31 Desember 2021 dan 2020 terdiri dari:

	2021	2020
Rupiah		
Giro	5.905.350	4.464.019
Valuta asing		
Giro	34.723	27.696
Jumlah	<u>5.940.073</u>	<u>4.491.715</u>

	Rupiah
	<i>Demand deposits</i>
	<i>Foreign currencies</i>
	<i>Demand deposits</i>
	<i>Total</i>

21. DEPOSITS FROM OTHER BANKS

Deposits from other banks as at 31 December 2021 and 2020 consisted of the following:

22. BEBAN AKRUAL DAN PROVISI

	2021	2020
Beban yang masih harus dibayar	347.991	331.070
Bunga yang masih harus dibayar	65.770	76.507
Provisi pemutusan hubungan kerja (Catatan 3t.4)	8.627	6.165
Jumlah	<u>422.388</u>	<u>413.742</u>

	<i>Accrued expenses</i>
	<i>Accrued interest expenses</i>
	<i>Termination provisions</i>
	<i>(Note 3t.4)</i>

Total

22. ACCRUALS AND PROVISIONS

23. LIABILITAS LAIN-LAIN

	2021	2020
Rekening suspense	464.679	442.670
Uang jaminan	406.970	709.733
Liabilitas sewa	373.603	278.567
Pendapatan ditangguhkan	253.170	387.448
Utang pajak lainnya	206.166	313.783
Transaksi dalam proses penyelesaian	48.318	1.427.758
Transfer, inkaso, dan kliring	40.660	39.192
Cadangan kerugian penurunan nilai atas komitmen dan kontijensi	38.333	117.350
Kewajiban transaksi Letter of Credit	27.743	441.389
Lainnya	154.449	120.845
Jumlah	<u>2.014.091</u>	<u>4.278.735</u>

Uang jaminan termasuk uang yang diberikan oleh nasabah kepada Bank sebagai jaminan atas L/C impor masing-masing sebesar Rp 405.215 dan Rp 707.557 pada tanggal 31 Desember 2021 dan 2020.

23. OTHER LIABILITIES

	<i>Suspense accounts</i>
	<i>Security deposits</i>
	<i>Lease liability</i>
	<i>Deferred income</i>
	<i>Other tax liabilities</i>
	<i>Transaction in process of settlement</i>
	<i>Transfers, collection, and clearing</i>
	<i>Allowance for impairment losses of commitment and contingencies</i>
	<i>Letter of Credit transactions</i>
	<i>payables</i>
	<i>Others</i>

Total

The security deposits included deposits from customers for and import L/C of Rp 405,215 and Rp 707,557 as of 31 December 2021 and 2020 respectively.

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24. 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 2021 dan 2020 saham yang masih beredar masing-masing sejumlah 217.048 (dalam nilai penuh) dan 222.855 (dalam nilai penuh).

Selama tahun yang berakhir 31 Desember 2021 dan 2020 Bank mengakui beban masing-masing sebesar Rp 17.875 dan Rp 12.898 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 2021 dan 2020 masing-masing senilai Rp 82.470 dan Rp 73.540 (dalam Rupiah penuh).

24. 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 2021 and 2020 the outstanding number of shares was 217,048 (in full amount) and 222,855 (in full amount).

During the year ended 31 December 2021 and 2020 the Bank recognised an expense of Rp 17,875 and Rp 12,898 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 2021 and 2020 was Rp 82,470 and Rp 73,540 respectively (in Rupiah full amount).

25. LIABILITAS IMBALAN PASCA-KERJA

Liabilitas imbalan kerja pada tanggal 31 Desember 2021 dan 2020 terdiri dari:

	2021	2020
Liabilitas imbalan kerja jangka pendek	199.352	178.723
Liabilitas imbalan pasca-kerja	260.211	321.003
Liabilitas imbalan kerja	459.563	499.726

Short-term employee benefits obligations
Post-employment benefits obligations

Employee benefits obligations

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.

Sejak Januari 2022, Bank mengganti pengelola program pensiun iuran pasti untuk seluruh karyawan tetapnya dari sebelumnya Dana Pensiun Lembaga Keuangan Manulife Indonesia menjadi Dana Pensiun Lembaga Keuangan Allianz Indonesia.

Jumlah karyawan yang ikut serta dalam program iuran pasti pada tanggal 31 Desember 2021 dan 2020 masing masing adalah 2.679 dan 2.981 karyawan.

Bank memberikan imbalan paska kerja minimum kepada karyawannya sesuai dengan undang-undang ketenagakerjaan yang berlaku. Selain itu, ada karyawan yang memenuhi kriteria menurut kebijakan perusahaan yang berhak atas imbalan paska kerja yang lebih tinggi dari yang diatur dalam peraturan perundangan yang berlaku.

25. POST-EMPLOYMENT BENEFITS OBLIGATION

Employee benefits obligation as of 31 December 2021 and 2020 consisted of the following:

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.

Starting January 2022, Bank changed the management of the defined contribution pension plan for all permanent employees from Dana Pensiun Lembaga Keuangan Manulife Indonesia to Dana Pensiun Lembaga Keuangan Allianz Indonesia.

The number of employees participated in defined contribution retirement programs as at 31 December 2021 and 2020 are 2,679 and 2,981 employees respectively.

The Bank provides a minimum of defined post-employment benefits to its employees in accordance with the applicable Labor Law. In addition, there are employees meeting criteria according to company policies are eligible for higher post-employment benefits than those required by applicable law and regulation.

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25. LIABILITAS IMBALAN PASCA-KERJA (lanjutan)

Tabel berikut menyajikan perubahan nilai kini kewajiban dan liabilitas imbalan pasca-kerja Bank yang tercatat di laporan posisi keuangan pada tanggal 31 Desember 2021 dan 2020, 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 2021 dan 2020:

	2021	2020
Nilai kini liabilitas pada awal tahun	321.003	310.113
Beban selama tahun berjalan	10.834	47.182
Pengukuran kembali diakui sebagai pendapatan komprehensif lainnya akibat:		
Perubahan asumsi demografi	1.615	(1.110)
Perubahan asumsi ekonomis	(18.664)	15.356
Perubahan dari penyesuaian pengalaman	(18.426)	(25.443)
Imbalan yang dibayar	(36.151)	(25.095)
Liabilitas imbalan pasca-kerja	<u>260.211</u>	<u>321.003</u>

Biaya imbalan kerja yang dibebankan Bank pada laporan laba rugi:

Biaya jasa kini	32.916	36.019
Biaya jasa lalu - amandemen program	(31.791)	-
Keuntungan atas penyelesaian	(6.962)	(8.653)
Biaya bunga	16.671	19.816
Jumlah beban yang diakui	<u>10.834</u>	<u>47.182</u>

25. POST-EMPLOYMENT BENEFITS OBLIGATION
(continued)

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 2021 and 2020, and movement in obligation and expenses recognised in the statements of profit or loss and other comprehensive income for the years ended 31 December 2021 and 2020:

			Beginning of year
			Expenses recognized during the year
			Remeasurement recognised as other comprehensive income due to:
			Changes in demographic assumptions
			Changes in financial assumptions
			Changes from experience adjustment
			Benefits paid
			Post-employment benefits obligation

Employee benefits expense recognized by Bank in profit or loss:

			Current service cost
			Past service cost - program amendment
			Settlement gain
			Interest cost
			Total recognised cost

	2021	2020
Liabilitas imbalan pasca-kerja, 1 Januari	321.003	310.113
Beban imbalan pasca-kerja tahun berjalan	10.834	47.182
Kerugian/(keuntungan) aktuarial tahun berjalan	(35.475)	(11.197)
Pembayaran imbalan pasca-kerja selama tahun berjalan	(36.151)	(25.095)
Liabilitas imbalan pasca-kerja, 31 Desember	<u>260.211</u>	<u>321.003</u>

Perhitungan liabilitas imbalan pasca-kerja pada tanggal 31 Desember 2021 dan 2020 dilakukan berdasarkan laporan aktuaris independen, Kantor Konsultan Aktuaria Steven & Mourits (KKA S&M) di 2021 (2020: PT Towers Watson Purbajaga) berdasarkan laporan aktuaris tertanggal 23 Desember 2021 (2020: 10 Maret 2021) dengan menggunakan asumsi utama sebagai berikut:

The calculation of post-employment benefits obligation as of 31 December 2021 and 2020 was done based on the independent actuarial report by Kantor Konsultan Aktuaria Steven & Mourits actuarial consulting (KKA S&M) based on an actuarial report dated 23 December 2021 (2020: 10 March 2021) using major assumptions as follows:

	2021	2020	
Tingkat diskonto	5,60%	5,50%	Discount rates
Kenaikan gaji	5,00%	5,00%	Salary increases
Metode aktuarial	Projected unit credit	Projected unit credit	Valuation cost method
Umur pensiun normal	55 tahun/years	55 tahun/years	Normal retirement age
Tingkat kematian	Tabel Mortalitas Indonesia 2019 (TMI 2019)/ Indonesian Mortality Table 2019 (TMI 2019)	Tabel Mortalitas Indonesia 2019 (TMI 2019)/ Indonesian Mortality Table 2019 (TMI 2019)	Mortality rates
Tingkat cacat	10% dari TMI 2019/ 10% of TMI 2019	10% dari TMI 2019/ 10% of TMI 2019	Disability rates
Tingkat pengunduran diri	20% per tahun pada usia 25 dan menurun secara linear sampai 0% per tahun pada usia 55/ 20% p.a. at 25 and reducing linearly to 0% p.a. at age 55	15% per tahun pada usia 20 dan menurun secara linear sampai 0% per tahun pada usia 55/ 15% p.a. at 20 and reducing linearly to 0% p.a. at age 55	Resignation rates

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25. LIABILITAS IMBALAN PASCA-KERJA (lanjutan)

Tabel-tabel dibawah menunjukkan sensitivitas atas kemungkinan perubahan tingkat kenaikan gaji dan tingkat diskonto terhadap kewajiban imbalan pasca kerja pada 31 Desember 2021 dan 2020:

	2021	
	Peningkatan/ Increase by 100 bps	Penurunan/ Decrease by 100 bps
Tingkat diskonto	(9.058)	9.760
Kenaikan gaji	25.226	(21.361)

Durasi rata-rata tertimbang durasi dari liabilitas program pensiun imbalan pasti pada tanggal 31 Desember 2021 dan 2020 masing-masing adalah 5,50 tahun dan 5,26 tahun.

Analisis jatuh tempo tidak terdiskonto yang diharapkan dari manfaat pensiun adalah sebagai berikut:

	2021	2020
Dalam 10 tahun kedepan	387.073	479.746
Dalam 10 sampai 20 tahun kedepan	106.372	345.693
Dalam 20 sampai 30 tahun kedepan	2.532	39.950
Dalam 30 sampai 40 tahun kedepan	-	18

25. POST-EMPLOYMENT BENEFITS OBLIGATION (continued)

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 2021 and 2020:

	2020		
	Peningkatan/ Increase by 100 bps	Penurunan/ Decrease by 100 bps	
Tingkat diskonto	(15.705)	17.299	Discount rates
Kenaikan gaji	41.185	(35.417)	Salary increases

The weighted average duration of the defined benefit pension obligation at 31 December 2021 and 2020 is 5.50 years and 5.26 years respectively.

Undiscounted expected maturity analysis of pension benefits are as follows:

	2021	2020	
Dalam 10 tahun kedepan	387.073	479.746	Within next 10 years
Dalam 10 sampai 20 tahun kedepan	106.372	345.693	Within next 10 to 20 years
Dalam 20 sampai 30 tahun kedepan	2.532	39.950	Within next 20 to 30 years
Dalam 30 sampai 40 tahun kedepan	-	18	Within next 30 to 40 years

26. 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.

26. 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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26. 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.

26. SHARE CAPITAL (continued)

The tender offer was conducted from 24 June 2009 until 23 July 2009 with tender offer price at Rp 2,652 (in Rupiah full amount) per share. During the tender offer, the shares being offered were 269,012,500 (in full amount) shares in accordance with the terms and conditions of the Tender Offer Statement.

The tender offer required by Bapepam-LK was completed on 12 August 2009. The payment to the shareholders was made on 4 August 2009. After completion of the tender offer, HAPH owns 2,642,312,500 (in full amount) shares of the Bank representing 98.96% of the total issued and fully paid-up capital of the Bank.

Related to privatisation, HAPH performed the tender offer which was started on 2 July 2015 and expired on 4 August 2015. Through 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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26. 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 2021 dan 2020 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

26. 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 2021 and 2020 are as follows:

27. 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 2021 dan 2020 adalah sebagai berikut:

	Jumlah/ Total	
Jumlah yang diterima dari penerbitan 270.000.000 lembar saham	291.600	Proceeds from the issuance of 270,000,000 shares
Jumlah yang dicatat sebagai modal disetor	(27.000)	Amount recorded as paid-in capital
Beban emisi saham	(6.990)	Share issuance costs
Jumlah yang dicatat sebagai tambahan modal disetor	257.610	Amount recorded as additional paid-in capital

27. 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 2021 and 2020 are as follows:

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28. PENGGUNAAN LABA BERSIH

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 2021 dan 2020 saldo cadangan umum adalah Rp 62.519 dan Rp 49.419.

Berdasarkan Rapat Umum Pemegang Saham Tahunan Bank yang dinyatakan dalam Akta dari Notaris Christina Dwi Utami, S.H., M.Hum., M.Kn., Nomor 184 tanggal 30 Juni 2020, para pemegang saham Bank menyetujui pembentukan cadangan umum sebesar Rp 23.113 dari saldo laba tahun 2019 serta pembagian dividen tunai sejumlah Rp 636.242 (Rp 60,1 (nilai penuh) per saham) kepada para pemegang saham yang memiliki hak untuk menerima dividen tunai. Pembayaran dividen dilakukan selambat-lambatnya pada tanggal 30 September 2020.

Berdasarkan Rapat Umum Pemegang Saham Tahunan Bank yang dinyatakan dalam Akta dari Notaris Christina Dwi Utami, S.H., M.Hum., M.Kn., Nomor 374 tanggal 30 Juni 2021, para pemegang saham Bank menyetujui pembentukan cadangan umum sebesar Rp 13.100 dari saldo laba tahun 2020 serta pembagian dividen tunai sejumlah Rp 510.898 (Rp 48,3 (nilai penuh) per saham) kepada para pemegang saham yang memiliki hak untuk menerima dividen tunai. Pembayaran dividen dilakukan selambat-lambatnya pada tanggal 30 September 2021.

29. 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.

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.

28. APPROPRIATION OF NET INCOME

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 2021 and 2020 the amount of general reserves is Rp 62,519 and Rp 49,419.

Based on the Annual General Meeting of the Bank's Shareholders as stated in Notarial Deed No. 184 dated 30 June 2020 of Christina Dwi Utami, S.H., M.Hum., M.Kn., a notary public in Jakarta, the shareholders approved the appropriation of the Bank's 2019 retained earnings amounting to Rp 23,113 and distribute cash dividend amounting to Rp 636,242 (Rp 60.1 (full amount) per share to shareholders who have the right to receive cash dividend. Dividend payment has been paid at the latest on 30 September 2020.

Based on the Annual General Meeting of the Bank's Shareholders as stated in Notarial Deed No. 374 dated 30 June 2021 of Christina Dwi Utami, S.H., M.Hum., M.Kn., a notary public in Jakarta, the shareholders approved the appropriation of the Bank's 2020 retained earnings amounting to Rp 13,100 and distribute cash dividend amounting to Rp 510,898 (Rp 48.3 (full amount) per share to shareholders who have the right to receive cash dividend. Dividend payment has been paid at the latest on 30 September 2021.

29. 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.

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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29. ASET KEUANGAN DAN LIABILITAS KEUANGAN
(lanjutan)

Tabel di bawah menyajikan nilai tercatat dan nilai wajar aset dan liabilitas keuangan Bank pada tanggal 31 Desember 2021 dan 2020.

29. 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 2021 and 2020.

2021					
	Diukur pada nilai wajar melalui laba rugi/ <i>Fair value through profit and loss</i>	Biaya perolehan diamortisasi/ <i>Amortised cost</i>	Diukur pada nilai wajar melalui penghasilan komprehensif lain/ <i>Fair value through other comprehensive income</i>	Jumlah nilai tercatat/ <i>Total carrying amount</i>	Nilai wajar/ <i>Fair value</i>
Aset keuangan					Financial assets
Kas	-	429.856	-	429.856	Cash
Giro pada Bank Indonesia	-	8.417.779	-	8.417.779	Demand deposits with Bank Indonesia
Giro pada bank-bank lain-bersih	-	3.363.439	-	3.363.439	Demand deposits with other banks - net
Penempatan pada Bank Indonesia	-	19.134.840	-	19.134.840	Placements with Bank Indonesia
Penempatan pada bank-bank lain-bersih	-	257.350	-	257.350	Placements with other banks-net
Efek-efek untuk tujuan investasi	-	-	21.120.592	21.120.592	Investment securities
Aset keuangan dalam kelompok diperdagangkan	2.703.991	-	-	2.703.991	Financial assets held for trading
Tagihan derivatif	202.641	-	-	202.641	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	10.060.292	-	10.060.292	Securities purchased with agreement to resell
Wesel Ekspor-bersih	-	1.836.512	-	1.836.512	Export Bills-net
Tagihan akseptasi-bersih	-	2.597.903	-	2.597.903	Acceptance receivables-net
Kredit yang diberikan kepada nasabah-bersih	-	51.328.140	-	51.328.140	Loans to customers-net
Aset lain-lain - pendapatan yang masih akan diterima	-	612.114	-	612.114	Other assets - accrued income
Jumlah	2.906.632	98.038.225	21.120.592	122.065.449	123.644.768
Liabilitas keuangan					Financial liabilities
Simpanan dari nasabah	-	(85.406.778)	-	(85.406.778)	Deposits from customers
Simpanan dari bank-bank lain	-	(5.940.073)	-	(5.940.073)	Deposits from other banks
Liabilitas derivatif	(188.060)	-	-	(188.060)	Derivative payables
Utang akseptasi	-	(2.602.208)	-	(2.602.208)	Acceptance payables
Beban akrual dan provisi	-	(65.770)	-	(65.770)	Accruals and provisions
Liabilitas lain-lain ¹⁾	-	(447.630)	-	(447.630)	Other liabilities ¹⁾
Pinjaman yang diterima	-	(6.199.838)	-	(6.199.838)	Borrowings
Pinjaman subordinasi	-	(1.068.937)	-	(1.068.937)	Subordinated debt
Jumlah	(188.060)	(101.731.234)	-	(101.919.294)	(101.919.294)

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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29. ASET KEUANGAN DAN LIABILITAS KEUANGAN
(lanjutan)

Tabel di bawah menyajikan nilai tercatat dan nilai wajar aset dan liabilitas keuangan Bank pada tanggal 31 Desember 2021 dan 2020. (lanjutan)

29. 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 2021 and 2020. (continued)

2020						
	Diukur pada nilai wajar melalui laba rugi/ Fair value through profit and loss	Biaya perolehan diamortisasi/ Amortised cost	Diukur pada nilai wajar melalui penghasilan komprehensif lain/ Fair value through other comprehensive income	Jumlah nilai tercatat/ Total carrying amount	Nilai wajar/ Fair value	
Aset keuangan						Financial assets
Kas	-	627.207	-	627.207	627.207	Cash
Giro pada Bank Indonesia	-	4.252.139	-	4.252.139	4.252.139	Demand deposits with Bank Indonesia
Giro pada bank-bank lain-bersih	-	3.740.633	-	3.740.633	3.740.633	Demand deposits with other banks - net
Penempatan pada Bank Indonesia	-	1.152.313	-	1.152.313	1.152.313	Placements with Bank Indonesia
Penempatan pada bank-bank lain-bersih	-	10.653.939	-	10.653.939	10.653.939	Placements with other banks-net
Efek-efek untuk tujuan investasi	-	-	17.860.822	17.860.822	17.860.822	Investment securities
Aset keuangan dalam kelompok diperdagangkan	1.217.717	-	-	1.217.717	1.217.717	Financial assets held for trading
Tagihan derivatif	671.498	-	-	671.498	671.498	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	9.292.848	-	9.292.848	9.292.848	Securities purchased with agreement to resell
Wesel Ekspor-bersih	-	921.585	-	921.585	921.585	Export Bills-net
Tagihan akseptasi-bersih	-	2.021.659	-	2.021.659	2.021.659	Acceptance receivables-net
Kredit yang diberikan kepada nasabah-bersih	-	55.334.586	-	55.334.586	56.978.362	Loans to customers-net
Aset lain-lain - pendapatan yang masih akan diterima	-	639.325	-	639.325	639.325	Other assets - accrued income
Jumlah	1.889.215	88.636.234	17.860.822	108.386.271	110.030.047	Total
Liabilitas keuangan						Financial liabilities
Simpanan dari nasabah	-	(72.159.831)	-	(72.159.831)	(72.159.831)	Deposits from customers
Simpanan dari bank-bank lain	-	(4.491.715)	-	(4.491.715)	(4.491.715)	Deposits from other banks
Liabilitas derivatif	(659.526)	-	-	(659.526)	(659.526)	Derivative payables
Utang akseptasi	-	(2.047.057)	-	(2.047.057)	(2.047.057)	Acceptance payables
Beban akrual dan provisi	-	(76.507)	-	(76.507)	(76.507)	Accruals and provisions
Liabilitas lain-lain ¹⁾	-	(748.925)	-	(748.925)	(748.925)	Other liabilities ¹⁾
Pinjaman yang diterima	-	(7.516.750)	-	(7.516.750)	(7.516.750)	Borrowings
Pinjaman subordinasi	-	(1.053.750)	-	(1.053.750)	(1.053.750)	Subordinated debt
Jumlah	(659.526)	(88.094.535)	-	(88.754.061)	(88.754.061)	Total

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 2021 dan 2020 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 2021 and 2020 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 2021 dan 2020.

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 2021 and 2020.

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**29. ASET KEUANGAN DAN LIABILITAS KEUANGAN
(lanjutan)**

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.

Saling hapus

Pada 31 Desember 2021 dan 2020 tidak terdapat aset dan liabilitas keuangan yang saling hapus pada laporan posisi keuangan.

Bank memiliki kredit yang diberikan yang dijamin dengan jaminan tunai (Catatan 16j), yang menjadi subyek untuk memenuhi *netting arrangements* dan perjanjian serupa, yang tidak saling hapus pada laporan posisi keuangan.

**29. FINANCIAL ASSETS AND FINANCIAL LIABILITIES
(continued)**

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.

Offsetting

As of 31 December 2021 and 2020 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 16j), which are subject to enforceable netting arrangements and similar agreements that are not set off in the statement of financial position.

30. PENDAPATAN BUNGA BERSIH

30. NET INTEREST INCOME

	2021	2020	
Pendapatan bunga			Interest income
Kredit yang diberikan kepada nasabah	2.927.936	3.857.022	Loans to customers
Efek-efek untuk tujuan investasi	1.249.893	1.071.515	Investment securities
Efek-efek yang dibeli dengan janji dijual kembali	369.538	291.792	Securities purchased with agreement to resell
Giro pada Bank Indonesia	142.306	18.959	Demand deposits with Bank Indonesia
Penempatan pada Bank Indonesia	74.748	38.239	Placements with Bank Indonesia
Kredit yang diberikan dan penempatan pada bank	2.630	1.954	Loans and advances to banks
Giro pada bank-bank lain	691	319	Demand deposits with other banks
Lain-lain	3.890	27.062	Others
Jumlah	4.771.632	5.306.862	Subtotal
Beban bunga			Interest expenses
Simpanan			Deposits
Deposito berjangka dan <i>deposits on call</i>	(744.389)	(808.466)	Time deposits and deposits on call
Giro	(204.862)	(225.543)	Demand deposits
Pinjaman yang diterima dan pinjaman subordinasi	(117.391)	(245.578)	Borrowings and subordinated debt
Tabungan	(116.538)	(99.644)	Saving accounts
Simpanan dari bank lain	(480)	(15.441)	Deposit from other banks
Lainnya	(71.683)	(38.375)	Others
Jumlah	(1.255.343)	(1.433.047)	Subtotal
Pendapatan bunga bersih	3.516.289	3.873.815	Net interest income

31. PENDAPATAN PROVISI DAN KOMISI BERSIH

31. NET FEES AND COMMISSIONS INCOME

	2021	2020	
Pendapatan provisi dan komisi			Fees and commissions income
Kartu kredit	345.767	391.440	Credit cards
Asuransi	287.544	279.297	Insurance
Jasa kustodian (Catatan 37)	251.386	238.315	Custodial services (Note 37)
Unit trusts	244.956	215.520	Unit trusts
Ekspor/impor	112.084	110.624	Export/import
Fasilitas kredit	80.488	107.223	Credit facilities
Remittance	61.065	63.646	Remittances
Account services	22.724	24.067	Account services
Lain-lain	212.981	137.348	Others
Jumlah	1.618.995	1.567.480	Subtotal

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**31. PENDAPATAN PROVISI DAN KOMISI BERSIH
(lanjutan)**

	2021	2020
Beban provisi dan komisi		
Kartu kredit	(192.378)	(185.289)
Scripless kustodian	(49.922)	(37.460)
Remittance	(67)	(150)
Lain-lain	(111.363)	(140.521)
Jumlah	(353.730)	(363.420)
Pendapatan provisi dan komisi bersih	<u>1.265.265</u>	<u>1.204.060</u>

31. NET FEES AND COMMISSIONS INCOME (continued)

Fees and commissions expenses	
Credit card	
Scripless custodian	
Remittance	
Others	
Subtotal	
Net fees and commissions income	

**32. PENDAPATAN INSTRUMEN
DIPERDAGANGKAN - BERSIH**

YANG

32. TRADING INCOME - NET

	2021	2020
Instrumen derivatif	784.839	1.094.509
Instrumen keuangan pendapatan tetap	302.537	647.252
Jumlah	1.087.376	1.741.761

Derivative instruments	
Fixed income instruments	

Total

33. KERUGIAN PENURUNAN NILAI - BERSIH

33. IMPAIRMENT LOSSES – NET

	2021	2020
Kredit yang diberikan kepada nasabah	843.358	1.588.656
Wesel ekspor	9.937	6.843
Giro pada bank lain	497	34
Komitmen dan kontinjensi	(74.266)	90.428
Tagihan akseptasi	(20.950)	19.861
Efek-efek untuk tujuan investasi	(10.175)	11.123
Penempatan pada bank lain	(347)	189
Jumlah	748.054	1.717.134

Loans to customers	
Export bills	
Demand deposits with other banks	
Commitment and contingencies	
Acceptance receivables	
Investment securities	
Placement with other banks	

Total

34. BEBAN KARYAWAN

34. EMPLOYEES EXPENSES

	2021	2020
Gaji dan tunjangan	1.621.593	1.631.771
Imbalan pasca-kerja (Catatan 25)	10.834	47.182
Tunjangan terkait pemutusan hubungan kerja	24.682	20.883
Lain-lain	17.482	30.627
Jumlah	1.674.591	1.730.463

Salaries and allowance	
Post-employment benefits obligation (Note 25)	
Termination benefit	
Others	

Total

35. BEBAN UMUM DAN ADMINISTRASI

35. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Komunikasi, listrik dan air	654.562	501.839
Premi LPS (Catatan 41)	176.965	138.153
Pemeliharaan dan perbaikan	102.118	99.733
Jasa profesional	90.726	78.469
Iklan dan promosi	58.597	60.189
Pungutan tahunan OJK perbankan	57.110	50.367
Sewa	42.274	102.883
Kebersihan dan keamanan	41.320	45.240
Asuransi	22.820	20.510
Alat tulis dan barang cetakan	7.333	13.762
Perjalanan dinas	4.455	6.402
Langganan/keanggotaan	2.161	2.061
Representasi	1.736	2.211
Jasa layanan kas	1.079	4.064
Lain-lain	51.365	128.112
Jumlah	1.314.621	1.253.995

Communication and utilities	
LPS premium (Note 41)	
Repair and maintenance	
Professional fees	
Advertising and promotion	
Bank annual FSA levy	
Rent	
Security and cleaning	
Insurance	
Stationery and office supplies	
Travelling	
Customer services/membership	
Representation	
Cash service	
Others	

Total

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36. PERPAJAKAN

- a. Pajak dibayar dimuka terdiri dari:

	2021	2020
Pajak dibayar di muka sehubungan dengan pajak penghasilan badan yang lebih dibayar tahun 2021	93.141	-
Pajak dibayar di muka sehubungan dengan pemeriksaan pajak (Catatan 36h - 36z)	757.112	1.005.429
	<u>850.253</u>	<u>1.005.429</u>

- b. Utang pajak penghasilan terdiri dari:

	2021	2020
Pajak penghasilan badan	<u>19.189</u>	<u>181.688</u>

Utang pajak lainnya disajikan dalam liabilitas lain-lain pada Catatan 21.

- c. Beban pajak terdiri dari:

	2021	2020
Pajak kini	313.804	575.484
Tambahan beban pajak 2020	3	-
Pembentukan dari perbedaan temporer	69.932	(111.481)
Surat Ketetapan Pajak	<u>79</u>	<u>137</u>
Jumlah	<u>383.818</u>	<u>464.140</u>

- d. Pada tanggal 31 Maret 2020, Pemerintah menerbitkan Peraturan Pemerintah Pengganti Undang-Undang Republik Indonesia ("Perppu") No. 1 Tahun 2020 yang antara lain menurunkan tarif pajak penghasilan badan dari sebelumnya sebesar 25% menjadi 22% untuk tahun fiskal 2020 dan 2021, serta menjadi 20% sejak tahun fiskal 2022. Bank telah menghitung dampak penurunan tarif pajak tersebut berupa penurunan aset pajak tangguhan sebesar Rp 51.483 dimana jumlah sebesar Rp 65.108 dibebankan ke laba rugi periode berjalan dan sebesar Rp 13.625 diakui ke pendapatan komprehensif lainnya.

- e. Pada tanggal 7 Oktober 2021, Pemerintah menerbitkan Undang – Undang Harmonisasi yang antara lain membatalkan penurunan tarif pajak penghasilan badan dari sebelumnya sebesar 22% menjadi 20%. Bank telah menghitung ulang tarif pajak tersebut berupa kenaikan aset pajak tangguhan sebesar Rp 22.419 dimana jumlah sebesar Rp 33.404 dibebankan ke laba rugi periode berjalan dan sebesar Rp 10.985 diakui ke pendapatan komprehensif lainnya.

Manajemen berpendapat bahwa aset pajak tangguhan yang timbul dari perbedaan temporer dapat direalisasi pada tahun-tahun mendatang.

36. TAXATION

- a. Prepaid taxes consist of:

Prepaid tax in relation with overpaid corporate income tax in 2021
Prepaid tax in relation with tax audit assessment (Note 36h - 36z)

- b. Income taxes payable consist of:

Corporate income tax

Other tax liabilities presented in other liabilities in Note 21.

- c. Tax expense consisted of the following:

Current tax

Additional tax expense 2020

Origination of temporary differences

Tax Assessment Letter

Total

- d. On 31 March 2020, the Government issued Government Regulation in Lieu of the Republic of Indonesia ("Perppu") No. 1 year 2020, which among others reduces the corporate income tax rate from 25% to 22% for fiscal years 2020 and 2021, and to 20% since fiscal year 2022. The Bank has calculated the effect of tax rate reduction in the form of a decrease in deferred tax assets by Rp 51,483 in which the amount of Rp 65,108 was charged to current year's profit and loss and Rp 13,625 was charged to other comprehensive income.

- e. On 7 October 2021, the Government issued Harmonization Law which cancelled the reduction in corporate tax rate from 22% to 20%. The Bank has calculated the effect of tax rate increase in the form of an increment in deferred tax assets by Rp 22,419 in which the amount of Rp 33,404 was charged to current year's profit and loss and Rp 10,985 was charged to other comprehensive income.

The management believes that total deferred tax assets arising from temporary differences are realised in the future years.

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36. PERPAJAKAN (lanjutan)

36. TAXATION (continued)

Rekonsiliasi antara laba sebelum pajak menurut laporan laba rugi dengan laba kena pajak adalah sebagai berikut:

The reconciliation between profit before tax per statement of profit or loss and taxable income are as follows:

	2021	2020	
Laba sebelum pajak	1.856.707	1.774.134	Profit before tax
Perbedaan temporer:			Temporary differences:
Liabilitas imbalan kerja jangka pendek	35.437	(42.512)	Short-term employee benefits obligation
Penyisihan kerugian penurunan nilai aset keuangan	(654.602)	747.016	Allowance for impairment losses from financial assets
Beban imbalan pasca-kerja dan imbalan kerja lainnya	(22.855)	8.944	Post-employment and other benefits expense
Penyusutan aset tetap dan amortisasi aset takberwujud	92.180	56.568	Depreciation of fixed assets and amortisation of intangible assets
Lain-lain	80.125	32.659	Others
	(469.711)	802.675	
Perbedaan permanen:			Permanent differences:
Rugi atas penerimaan yang sudah dikenakan penghasilan final	288	424	Loss related to proceed subject to final income tax
Penyusutan kendaraan non-operasional	2.065	2.757	Depreciation of non-operational vehicles
Representasi, sumbangan dan denda	18.755	13.868	Representation, donations and penalties
Lain-lain	18.281	21.979	Others
	39.389	39.028	
Laba kena pajak	1.426.385	2.615.837	Taxable income
Beban pajak kini	313.804	575.484	Current tax expense
Pajak dibayar dimuka	(406.945)	(393.796)	Prepaid tax
Pajak penghasilan badan (dibayar dimuka)/ terutang	(93.141)	181.688	Corporate income (prepaid tax)/tax payable

f. Rekonsiliasi antara beban pajak dan hasil perkalian laba akuntansi sebelum pajak dengan tarif pajak yang berlaku adalah sebagai berikut:

f. The reconciliation between the total tax expense and the amounts computed by applying the statutory tax rates to income before tax are as follows:

	2021	2020	
Laba sebelum pajak	1.856.707	1.774.134	Income before tax
Tarif pajak yang berlaku	22%	22%	Applicable tax rate
	408.476	390.309	
Perbedaan permanen	8.664	8.586	Permanent differences
Tambahan beban pajak 2020	3	-	Additional tax expense 2020
Surat Ketetapan Pajak	79	137	Tax Assessment Letter
Pajak tangguhan akibat pengurangan tarif pajak	(33.404)	65.108	Deferred tax due to tax rate reduction
Jumlah beban pajak	383.818	464.140	Total tax expense

Dalam laporan keuangan ini jumlah penghasilan kena pajak didasarkan atas perhitungan sementara karena Bank belum menyampaikan surat pemberitahuan tahunan pajak penghasilan badan.

In these financial statements, the amount of Bank's taxable income is based on preliminary calculations as the Bank has not yet submitted its corporate income tax returns.

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36. PERPAJAKAN (lanjutan)

36. TAXATION (continued)

g. Rincian dari aset pajak tangguhan bersih Bank adalah sebagai berikut:

g. The details of the Bank's net deferred tax assets are as follows:

		Dampak perubahan tarif PPh Badan/ Impact on the implementation of new corporate income tax rate					
	Dampak penerapan PSAK 71/ Impact on the SFAS 71 implementation	Laba rugi / Profit or loss	Penghasilan komprehensif lain / Other Comprehensive income	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 2021	
Aset pajak tangguhan:							Deferred tax assets:
Penyisihan kerugian penurunan nilai aset keuangan	283.310	-	28.331	-	(141.841)	-	Allowance for impairment losses on financial assets
Penyisihan surat berharga (FVOCL)	3.080	-	308	-	(2.171)	-	Provision for securities (FVOCL)
Penyusutan aset tetap dan amortisasi aset tak berwujud	(34.957)	-	(3.496)	-	20.280	-	Depreciation of fixed assets and amortization of intangible assets
Beban imbalan pasca- kerja dan imbalan kerja lainnya	115.063	-	5.770	1.574	2.768	(7.805)	Post-employment and other benefits Unrealised (gain)
(Laba)/rugi belum direalisasi perubahan nilai wajar efek-efek untuk tujuan investasi	(125.570)	-	-	(12.559)	-	35.689	loss from changes in fair value of investment securities
Lain - lain	24.906	-	2.491	-	17.628	-	Others
Aset pajak tangguhan - bersih	265.832	-	33.404	(10.985)	(103.336)	27.884	Deferred tax assets - net

		Dampak perubahan tarif PPh Badan/ Impact on the implementation of new corporate income tax rate					
	Dampak penerapan PSAK 71/ Impact on the SFAS 71 implementation	Laba rugi / Profit or loss	Penghasilan komprehensif lain / Other Comprehensive income	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 2020	
Aset pajak tangguhan:							Deferred tax assets:
Penyisihan kerugian penurunan nilai aset keuangan	204.224	(34.060)	(48.751)	-	161.897	-	Allowance for impairment losses on financial assets
Penyisihan surat berharga (FVOCL)	-	1.069	(436)	-	2.447	-	Provision for securities (FVOCL)
Penyusutan aset tetap dan amortisasi aset tak berwujud	(57.838)	-	10.436	-	12.445	-	Depreciation of fixed assets and amortization of intangible assets
Beban imbalan pasca- kerja dan imbalan kerja lainnya	150.289	-	(21.110)	(4.267)	(7.385)	(2.464)	Post-employment and other benefits Unrealised (gain)
(Laba)/rugi belum direalisasi perubahan nilai wajar efek-efek untuk tujuan investasi	(44.461)	-	-	17.892	-	(99.001)	loss from changes in fair value of investment securities
Lain - lain	22.968	-	(5.247)	-	7.185	-	Others
Aset pajak tangguhan - bersih	275.182	(32.991)	(65.108)	13.625	176.589	(101.465)	Deferred tax assets - net

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36. PERPAJAKAN (lanjutan)

- h. 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 261. Pada tanggal 24 April 2019, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Pada tanggal 25 Juli 2019, Bank menerima pengembalian kelebihan pembayaran pajak berdasarkan Keputusan Keberatan PPh Badan Tahun Pajak 2012.

Pada tanggal 16 Oktober 2020, Pengadilan Pajak mengucapkan Putusan Pengadilan Pajak mengenai banding terhadap Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2012 yang mengabulkan seluruh permohonan banding Wajib Pajak sebesar Rp 261. Keputusan Pengadilan Pajak tersebut dikirimkan pada tanggal 22 Oktober 2020. Pada tanggal 6 Januari 2021, Bank menerima pengembalian kelebihan pembayaran pajak berdasarkan Putusan Pengadilan Pajak tersebut. Sampai dengan laporan ini dibuat, DJP belum mengajukan permohonan Peninjauan Kembali kepada Mahkamah Agung atas Putusan Pengadilan Pajak di atas.

- i. 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.

36. TAXATION (continued)

- h. 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 261. On 24 April 2019, the Bank then filed an appeal to the Tax Court against that Objection Decision. On 25 July 2019, the Bank received a tax refund based on the Objection Decision of CIT Fiscal Year 2012.

On 16 October 2020, Tax Court issued a Tax Court Decision regarding an appeal against Objection Decision on Assessment Letter of CIT Fiscal Year 2012 which accepted all appeal requests of Taxpayer amounting to Rp 261. Such Tax Court decision is delivered on 22 October 2020. On 6 January 2021, the Bank received a tax refund based on that Tax Court Decision. Until this report is prepared, the DGT has not yet submitted the Judicial Review to the Supreme Court on the above Tax Court Decision.

- i. 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.

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36. PERPAJAKAN (lanjutan)

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 774. Pada tanggal 24 April 2019, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan PPh Badan 2013. Pada tanggal 25 Juli 2019, Bank menerima pengembalian kelebihan pembayaran pajak berdasarkan Keputusan Keberatan PPh Badan Tahun Pajak 2013.

Pada tanggal 16 Oktober 2020, Pengadilan Pajak mengucapkan Putusan Pengadilan Pajak mengenai banding terhadap Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2013 yang mengabulkan seluruh permohonan banding Wajib Pajak sebesar Rp 774. Keputusan Pengadilan Pajak tersebut dikirimkan pada tanggal 22 Oktober 2020. Pada tanggal 6 Januari 2021, Bank menerima pengembalian kelebihan pembayaran pajak berdasarkan Putusan Pengadilan Pajak tersebut. Sampai dengan laporan ini dibuat, DJP belum mengajukan permohonan Peninjauan Kembali kepada Mahkamah Agung atas Putusan Pengadilan Pajak di atas.

- j. 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 dengan total sengketa pajak sebesar Rp 74.310.

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. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Pasal 21 Desember 2014 masih berlangsung di Pengadilan Pajak.

36. TAXATION (continued)

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 774. On 24 April 2019, the Bank then filed an appeal to the Tax Court against Objection Decision of CIT 2013. On 25 July 2019, the Bank received a tax refund based on the Objection Decision of CIT Fiscal Year 2013.

On 16 October 2020, Tax Court issued a Tax Court Decision regarding an appeal against Objection Decision on Assessment Letter of CIT Fiscal Year 2013 which accepted all appeal requests of Taxpayer amounting to Rp 774. Such Tax Court decision is delivered on 22 October 2020. On 6 January 2021, the Bank received a tax refund based on that Tax Court Decision. Until this report is prepared, the DGT has not yet submitted the Judicial Review to the Supreme Court on the above Tax Court Decision.

- j. 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, with total of Rp 74,310.

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. Until this report is prepared, tax hearing on dispute Income Tax Article 21 December 2014 is still on going in Tax Court.

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36. PERPAJAKAN (lanjutan)

Pada tanggal 5 September 2019, DJP menerbitkan Keputusan Keberatan atas SKPKB PPN Masa Pajak Desember 2014 yang menolak keberatan Wajib Pajak sehingga jumlah sengketa pajak tetap Rp 5.344. Pada tanggal 4 Desember 2019, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPN Desember 2014 masih berlangsung di Pengadilan Pajak.

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 atas sisa jumlah yang sudah pernah dibayarkan sebesar 48.581 berdasarkan Keputusan Keberatan tersebut.

- k. 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. Pada tanggal 12 Maret 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPN Desember 2015 masih berlangsung di Pengadilan Pajak.

36. TAXATION (continued)

On 5 September 2019, DGT issued Objection Decision on Assessment Letter of VAT Fiscal Period December 2014 which rejected Taxpayer's objection so the tax dispute amount remained Rp 5,344. On 4 December 2019, the Bank then filed appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute VAT December 2014 is still on going in Tax Court.

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 of the remaining amount that has been paid before, amounting to Rp 48,581 based on that Objection Decision.

- k. 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. On 12 March 2020, the Bank then filed appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute VAT December 2014 is still on going in Tax Court.

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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. Pada tanggal 15 Januari 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut. Pada tanggal 11 Juni 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Badan 2015 masih berlangsung di Pengadilan Pajak.

- l. 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.

Pada tanggal 16 Oktober 2020, Pengadilan Pajak mengucapkan Putusan Pengadilan Pajak mengenai banding terhadap Keputusan Keberatan atas SKPKB PPN Masa Pajak April 2017 yang mengabulkan seluruh permohonan banding Wajib Pajak sebesar Rp 284.773. Keputusan Pengadilan Pajak tersebut dikirimkan pada tanggal 22 Oktober 2020. Pada tanggal 6 Januari 2021, Bank menerima pengembalian kelebihan pembayaran pajak berdasarkan Putusan Pengadilan Pajak tersebut. Sampai dengan laporan ini dibuat, DJP belum mengajukan permohonan Peninjauan Kembali kepada Mahkamah Agung atas Putusan Pengadilan Pajak di atas.

- m. Pada tanggal 24 April 2019, KPP WPB I menerbitkan Surat Ketetapan Pajak Lebih Bayar (SKPLB) PPh Badan Tahun Pajak 2017 senilai Rp 182.963, atas SPT PPh Badan Lebih Bayar sebesar Rp 481.010. KPP WPB I juga menerbitkan 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 35.854 sebagai pajak dibayar di muka. Pada tanggal 23 Juli 2019, Bank kemudian mengajukan keberatan atas SKPLB PPh Badan, dengan jumlah sengketa pajak sebesar Rp 298.048, dan keberatan atas SKPKB PPh Pasal 21, PPh Pasal 23, PPh Pasal 26, PPh Final Pasal 4 (2), dan PPN dengan total sengketa pajak sebesar Rp 35.854.

36. 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. On 15 January 2020, the Bank received a tax refund based on that Objection Decision. On 11 June 2020, the Bank then filed appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute CIT 2015 is still on going in Tax Court.

- l. 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.

On 16 October 2020, Tax Court issued a Tax Court Decision regarding an appeal against Objection Decision on Assessment Letter of VAT Fiscal Period April 2017 which accepted all appeal requests of Taxpayer amounting to Rp 284,773. Such Tax Court decision is delivered on 22 October 2020. On 6 January 2021, the Bank received a tax refund based on that Tax Court Decision. Until this report is prepared, the DGT has not yet submitted the Judicial Review to the Supreme Court on the above Tax Court Decision.

- m. On 24 April 2019, LTO I issued Overpayment Tax Assessment Letter of CIT Fiscal Year 2017 amounting to Rp 182,963, on 2017 CIT overpayment Underpayment Tax Assessment position of Rp 481,010. As well as 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 35,854 as prepaid tax. On 23 July 2019, the Bank then filed an objection to Assessment Letter of CIT, with tax dispute of Rp 298,048, and objection to Income Tax Article 21, Article 23, Article 26, Final Article 4 (2), and VAT, with tax dispute of Rp 35,854.

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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. Bank tidak mengajukan banding terhadap Keputusan Keberatan.

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. Bank tidak mengajukan banding terhadap Keputusan Keberatan.

Atas sisa Keputusan Keberatan SKPKB PPh Pasal 23 yang tidak dikabulkan, Bank mencatat sebagai tambahan biaya pajak sebesar Rp 180.

Pada tanggal 21 Februari 2020, Bank menerima kelebihan pembayaran pajak berdasarkan SKPLB PPh Badan Tahun Pajak 2017 sebesar Rp 182.963.

Pada tanggal 28 dan 29 Mei 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Pasal 26 Masa Pajak Januari s.d. Desember 2017 yang mengabulkan sebagian keberatan Wajib Pajak sebesar Rp 2.935 sehingga jumlah sengketa pajak menjadi Rp 7.578. Pada tanggal 23 Juni 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut. Pada tanggal 26 Agustus 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Pasal 26 Masa Pajak Januari s.d. Desember 2017 masih berlangsung di Pengadilan Pajak.

Pada tanggal 4 Juni 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPN atas Pemanfaatan JKP dari Luar Daerah Pabean Masa Pajak Desember 2017 yang mengabulkan seluruh keberatan Wajib Pajak sebesar Rp 1.755. Pada tanggal 1 Juli 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut.

Pada tanggal 16 Juni 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPN Masa Pajak Desember 2017 yang menolak keberatan Wajib Pajak sehingga jumlah sengketa pajak tetap Rp 15.893. Pada tanggal 14 September 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPN Masa Pajak Desember 2017 masih berlangsung di Pengadilan Pajak.

36. TAXATION (continued)

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. The Bank did not file an appeal against that Objection Decision.

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. The Bank did not file an appeal against that Objection Decision.

On the remaining Objection Decision Letter of Income Tax Article 23 which were not accepted, Bank recorded it as additional tax expense of Rp 180.

On 21 February 2020, the Bank received a tax refund based on Overpayment Tax Assessment Letter of CIT Fiscal Year 2017 amounting to Rp 182,963.

On 28 and 29 May 2020, DGT issued Objection Decisions on Assessment Letters of Income Tax Article 26 Fiscal Period January up to December 2017 which accepted some of the Taxpayer's objection of Rp Rp 2,935 so the tax dispute amount became Rp 7,578. On 23 June 2020, the Bank received a tax refund based on those Objection Decisions. On 26 August 2020, the Bank then filed appeal to the Tax Court against those Objection Decisions. Until this report is prepared, tax hearing on dispute Income Tax Article 26 of period January - December 2017 is still on going in Tax Court.

On 4 June 2020, DGT issued Objection Decision on Assessment Letter of VAT on the Utilization of Taxable Services from Outside Custom Area Fiscal Period December 2017 which fully accepted the Taxpayer's objection of Rp 1,755. On 1 July 2020, the Bank received a tax refund based on that Objection Decision.

On 16 June 2020, DGT issued Objection Decisions on Assessment Letter of VAT Fiscal Period December 2017 which rejected the Taxpayer's objection so the tax dispute amount remained Rp 15,893. On 14 September 2020, the Bank then filed appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute VAT of period December 2017 is still on going in Tax Court.

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36. PERPAJAKAN (lanjutan)

Pada tanggal 22 Juni 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Pasal 21 Masa Pajak Desember 2017 yang menolak keberatan Wajib Pajak sehingga jumlah sengketa pajak tetap Rp 7.436. Pada tanggal 18 September 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Pasal 21 Masa Pajak Desember 2017 masih berlangsung di Pengadilan Pajak.

Pada tanggal 17 Juli 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2017 yang mengabulkan sebagian keberatan Wajib Pajak sehingga menambah jumlah lebih bayar sebesar Rp 28.243 dan jumlah sengketa pajak turun menjadi Rp 269.804. Pada tanggal 11 Agustus 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut. Pada tanggal 15 Oktober 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Badan Tahun Pajak 2017 masih berlangsung di Pengadilan Pajak.

- n. Pada tanggal 26 April 2021, KPP WPB I menerbitkan SKPKB PPh Badan atas SPT PPh Badan Lebih Bayar 2019 sebesar Rp 60.018, dan SKPKB PPh Final Pasal 21, PPh Pasal 23, PPh Final Pasal 4 (2), dan PPN Tahun Pajak 2019 senilai Rp 81.859, dengan jumlah kurang bayar yang disetujui senilai Rp 114. Bank melakukan pembayaran penuh dan mencatat sejumlah Rp 115 sebagai biaya Bank di tahun 2021 dan Rp 81.745 sebagai pajak dibayar di muka. Pada tanggal 22 Juli 2021, Bank kemudian mengajukan keberatan atas SKPKB PPh Badan, dengan jumlah sengketa pajak sebesar Rp 141.280. Sejumlah Rp 483 yang tidak di ajukan keberatan, tidak dicatat sebagai biaya, mengingat posisi PPh badan dalam kondisi lebih bayar.

Pada tanggal 6 Desember 2021, KPP WPB I menerbitkan pembetulan SKPKB PPh Badan yang menyebabkan tambahan Pajak sebesar Rp 405. Bank telah melakukan pembayaran penuh dan mencatat sebagai Pajak dibayar dimuka. Angka tersebut akan diperhitungkan dalam dalam putusan keberatan. Selain itu terdapat sanksi administrasi angsuran PPh Badan 2019 sebesar Rp 2.826 yang telah dibayar dan dicatat sebagai bagian dari pajak dibayar di muka dan masih dalam proses sengketa.

- o. Pada tanggal 12 November 2021, KPP WPB I menerbitkan SKPKB PPh Badan, PPh Final Pasal 21, PPh Pasal 23, PPh Pasal 26, PPh Final Pasal 4 (2), dan PPN Tahun Pajak 2016 senilai Rp 67.145 dengan jumlah kurang bayar yang disetujui senilai Rp 862 yang telah dibayar dan dicatat sebagai biaya bank di tahun 2021. Selain itu Bank melakukan pembayaran penuh dan mencatat sejumlah Rp 66.283 sebagai pajak dibayar di muka pada tanggal 4 Februari 2022. Pada tanggal 9 Februari 2022, Bank kemudian mengajukan keberatan atas SKPKB PPh Badan, dan PPN dengan jumlah sengketa pajak sebesar Rp 66.283

36. TAXATION (continued)

On 22 June 2020, DGT issued Objection Decisions on Assessment Letter of Income Tax Article 21 Fiscal Period December 2017 which rejected the Taxpayer's objection so the tax dispute amount remained Rp 7,436. On 18 September 2020, the Bank then filed appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute Income Tax Article 21 period December 2017 is still on going in Tax Court.

On 17 July 2020, DGT issued Objection Decision on Assessment Letter of CIT Fiscal Year 2017 which accepted some of the Taxpayer's objection by adding the overpayment by Rp 28,243 so the tax dispute amount became Rp 269,804. On 11 August 2020, the Bank received a tax refund based on that Objection Decision. On 15 October 2020, the Bank then filed appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute CIT Fiscal Year December 2017 is still on going in Tax Court.

- n. On 26 April 2021, LTO I issued Underpayment Tax Assessment Letters of CIT on 2019 CIT overpayment Underpayment Tax Assessment position of Rp 60,018, as well as Underpayment tax Assessment Letter of Income Tax Article 21, Income Tax Article 23, Final Article 4 (2), and VAT Fiscal Year 2019 amounting to Rp 81,859 with agreed underpayment amounting to Rp 114. The Bank made full payment and recorded Rp 115 as an expense of the Bank in 2019 and Rp 81,745 as prepaid tax. On 22 July 2021, the Bank then filed an objection to Assessment Letter of CIT, with tax dispute of Rp 141,280. Rp 483 was not objected, and not recorded under expense considering the 2019 CIT is on overpayment position.

On 6 December 2021, LTO issued an amendment to the Underpayment Tax Assessment Letters of CIT which resulted in an additional tax of Rp 405. The Bank has made a full payment and recorded it as prepaid tax. This figure will be taken into account in the decision of the objection. In addition, there is an administrative sanction for 2019 Corporate Income Tax installments of Rp 2,826 which has been paid and recorded as part of prepaid taxes and is still in the dispute process.

- o. On 26 November 2021, LTO I issued Underpayment Tax Assessment Letters of CIT, Income Tax Article 21, Income Tax Article 23, Income Tax Article 26, Final Article 4 (2), and VAT Fiscal Year 2016 amounting to Rp 67,145 with agreed underpayment amounting to Rp 862 which has been paid and recorded as expense of the Bank in 2021. The Bank made full payment and recorded Rp 66,283 as prepaid tax on 4 February 2022. On 9 February 2022, the Bank then filed an objection to Assessment Letter of CIT and VAT, with tax dispute of Rp 66,283.

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36. 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 melakukan pembayaran penuh atas tagihan tersebut. 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. Pada tanggal 6 Maret 2020, Bank menerima kelebihan pembayaran pajak berdasarkan keputusan tersebut sebesar Rp 17.166.

- 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.

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 Januari 2019 sampai dengan sebelum tanggal pencabutan izin usaha senilai total Rp 679.915. BUT HSBC sedang dalam proses pemeriksaan pajak agar dapat dilakukan pencabutan NPWP perusahaan.

- r. 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 dengan total sengketa sebesar Rp 382.843.

36. 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 made full payment for the underpaid tax. 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. On 6 March 2020, the Bank received a tax refund based on that decision of Rp 17,166.

- 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.

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. BUT HSBC is in the tax dispute process for tax ID revocation.

- r. 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 with the total tax dispute amounting to Rp 382,843.

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36. PERPAJAKAN (lanjutan)

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.

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 361.841.

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.

- s. 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. Pada tanggal 17 Februari 2020, Mahkamah Agung kemudian mengeluarkan Putusan Mahkamah Agung yang menolak permohonan Peninjauan Kembali DJP.

- 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.

36. TAXATION (continued)

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.

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 361,841.

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.

- s. 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. On 17 February 2020, the Supreme Court then issued a Supreme Court Decision that rejected the 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.

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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. Pada tanggal 9 September 2020, Mahkamah Agung kemudian mengeluarkan Putusan Mahkamah Agung yang menolak permohonan Peninjauan Kembali DJP.

- 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 dengan jumlah sengketa sebesar Rp 46.724 yang terdiri dari Rp 2.535 yang telah dibiayai dan Rp 44.189 yang dicatat sebagai pajak dibayar dimuka.

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 46.724. Pada tanggal 29 Mei 2019, Bank kemudian mengajukan banding ke Pengadilan Pajak pada tanggal 3 Mei 2021, Pengadilan Pajak mengucapkan Putusan Pengadilan Pajak mengenai banding terhadap Keputusan Keberatan atas SKPKB PPh Badan dan PPh Final 23/26 Tahun Pajak 2012 yang mengabulkan sebagian permohonan banding Wajib Pajak sebesar Rp 44.189. Keputusan Pengadilan Pajak tersebut diterima pada tanggal 5 Mei 2021. Sampai dengan laporan ini dibuat, DJP belum mengajukan permohonan Peninjauan Kembali kepada Mahkamah Agung atas Putusan Pengadilan Pajak di atas.

36. TAXATION (continued)

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. On 9 September 2020, the Supreme Court then issued a Supreme Court Decision that rejected the review request of DGT.

- 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 with the dispute amount of Rp 46.724 consist of Rp 2,535 as expense and Rp 44,189 as prepaid tax.*

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 46,724. 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 Court has not issued Tax Court Decision regarding appeal against those Objection Decisions. On 3 May 2021, Tax Court issued a Tax Court Decision regarding an appeal against Objection Decision on Assessment Letter of CIT & Article 23/26 Fiscal Year 2012 which accepted partial appeal requests of Taxpayer amounting to Rp 44.189. Such Tax Court decision is received on 5 May 2021. Until this report is prepared, the DGT has not yet submitted the Judicial Review to the Supreme Court on the above Tax Court Decision.

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36. PERPAJAKAN (lanjutan)

- 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 65.276 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 dengan nilai sengketa pajak sebesar .

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. Pada tanggal 26 Februari 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut. Pada tanggal 14 Juli 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan PPh Badan dan PPh Final Pasal 23/26. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Badan dan PPh Final Pasal 23/26 2013 masih berlangsung di Pengadilan Pajak.

- 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.

Pada tanggal 13 Januari 2021, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan dan PPh Final Pasal 23/26 Tahun Pajak 2014 yang menolak keberatan Wajib Pajak sehingga jumlah sengketa pajak tetap Rp 39.039. Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan PPh Badan pada tanggal 7 April 2021 dan PPh Final 23/26 pada tanggal 7 September 2021. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Badan dan PPh Final Pasal 23/26 2014 masih berlangsung di Pengadilan Pajak.

- 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.

36. TAXATION (continued)

- 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. On 26 February 2020, the Bank received a tax refund based on those Objection Decisions. On 14 July 2020, 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 2013 is still on going in Tax Court.

- 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.

On 13 January 2021, DGT issued Objection Decisions on Assessment Letters of CIT and Income Tax Final Article 23/26 Fiscal Year 2014 which rejected the Taxpayer's objection, so the tax dispute amount remained Rp 39,039. the Bank then filed an appeal to the Tax Court against Objection Decisions of CIT on 7 April 2021 and Income Tax Final Article 23/26 on 7 September 2021. Until this report is prepared, tax hearing on dispute CIT and Income Tax Final Article 23/26 2014 is still on going in Tax Court.

- 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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36. 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. Pada tanggal 14 Juli 2020, 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 2015 masih berlangsung di Pengadilan Pajak.

- y. Pada tanggal 25 April 2019, KPP WPB I menerbitkan SKPKB PPh Badan atas SPT PPh Badan Lebih Bayar 2017 sebesar Rp 42.503, PPh Pasal 21, PPh Pasal 23, PPh Pasal 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 (4), PPh Pasal 26, dan PPN pada tanggal 19 Juli 2019 dengan total sengketa pajak sebesar Rp 121.607.

Pada tanggal 8 Juni 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Badan Tahun Pajak 2017 yang mengabulkan sebagian keberatan Wajib Pajak sehingga jumlah sengketa pajak menjadi Rp 5.942. Pada tanggal 6 Juli 2020, Bank menerima kelebihan pembayaran pajak sebesar Rp 64.344 berdasarkan Keputusan Keberatan tersebut. Pada tanggal 4 September 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Badan Tahun Pajak 2017 masih berlangsung di Pengadilan Pajak.

Pada tanggal 9 Juni 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Pasal 26 (4) Masa Pajak Desember 2017 yang mengabulkan sebagian keberatan Wajib Pajak sehingga jumlah sengketa pajak menjadi Rp 8.636. Pada tanggal 6 Juli 2020, Bank menerima kelebihan pembayaran pajak sebesar Rp 6.981 berdasarkan Keputusan Keberatan tersebut. Pada tanggal 4 September 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Pasal 26 (4) Masa Pajak Desember 2017 masih berlangsung di Pengadilan Pajak.

36. 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. On 14 July 2020, 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 2015 is still on going in Tax Court.

- y. On 25 April 2019, LTO I issued Underpayment Tax Assessment Letters of overpayment CIT Fiscal Year 2017 of Rp 42,503, Income Tax Article 21, Article 23, Article 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 underpayment CIT, Income Tax Article 26 (4), Article 26, and VAT on 19 July 2019 with total tax dispute amounting to Rp 121,607.

On 8 June 2020, DGT issued Objection Decisions on Assessment Letter of CIT Fiscal Year 2017 which accepted some of the Taxpayer's objection so the tax dispute amount became Rp 5,942. On 6 July 2020, the Bank received a tax refund amounting to Rp 64,344 based on that Objection Decision. On 4 September 2020, the Bank then filed appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute CIT Fiscal Year 2017 is still on going in Tax Court.

On 9 June 2020, DGT issued Objection Decision on Assessment Letter of Income Tax Article 26 (4) Fiscal Period December 2017 which accepted some of the Taxpayer's objection so the tax dispute amount became Rp 8,636. On 6 July 2020, the Bank received a tax refund amounting to Rp 6,981 based on that Objection Decision. On 4 September 2020, the Bank then filed appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute Income Tax Article 26 (4) Fiscal Period December 2017 is still on going in Tax Court.

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Pada tanggal 9 Juni 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPh Pasal 26 Masa Pajak Juli, Agustus, September, November, dan Desember 2017 yang mengabulkan sebagian keberatan Wajib Pajak sehingga jumlah sengketa pajak menjadi Rp 3.965. Pada tanggal 6 Juli 2020, Bank menerima kelebihan pembayaran pajak sebesar Rp 3.973 berdasarkan Keputusan Keberatan tersebut. Pada tanggal 4 September 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Pasal 26 Masa Pajak Juli, Agustus, September, November, dan Desember 2017 masih berlangsung di Pengadilan Pajak.

Pada tanggal 8 Juni 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPN Masa Pajak Desember 2017 yang menolak keberatan Wajib Pajak sehingga jumlah sengketa pajak tetap Rp 4.508. Pada tanggal 14 September 2020, Bank kemudian mengajukan banding ke Pengadilan Pajak terhadap Keputusan Keberatan tersebut. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPN Masa Pajak Desember 2017 masih berlangsung di Pengadilan Pajak.

Pada tanggal 9 Juni 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPN atas Pemanfaatan BKP Tidak Berwujud dari Luar Daerah Pabean (PPN BKPTBLN) Masa Pajak Desember 2017 yang mengabulkan seluruh keberatan Wajib Pajak sebesar Rp 1.986. Pada tanggal 6 Juli 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut.

Pada tanggal 8 Juni 2020, DJP menerbitkan Keputusan Keberatan atas SKPKB PPN atas Pemanfaatan JKP dari Luar Daerah Pabean (PPN JKPLN) Masa Pajak Desember 2017 yang mengabulkan seluruh keberatan Wajib Pajak sebesar Rp 21.271. Pada tanggal 6 Juli 2020, Bank menerima kelebihan pembayaran pajak berdasarkan Keputusan Keberatan tersebut.

- z. Pada tanggal 30 November 2020, 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 2016 atas Wajib Pajak BUT HSBC senilai Rp 133.981 dengan jumlah kurang bayar yang disetujui senilai Rp 320. Bank melakukan pembayaran penuh sebesar Rp 133.981 dan mencatat sejumlah Rp 320 sebagai biaya Bank di tahun 2020 dan Rp 133.661 sebagai pajak dibayar di muka. Pada tanggal 23 Februari 2021, Bank kemudian mengajukan keberatan atas SKPKB PPh Badan, PPh Pasal 26 (4), PPh Pasal 26, PPN BKPTBLN, dan PPN JKPLN. Sampai dengan laporan ini dibuat, proses sidang terkait sengketa PPh Badan, PPh Pasal 21, PPh Pasal 23, PPh Pasal 26, PPh Final Pasal 4 (2), dan PPN Tahun Pajak 2016 masih berlangsung di Pengadilan Pajak.

36. TAXATION (continued)

On 9 June 2020, DGT issued Objection Decisions on Assessment Letters of Income Tax Article 26 Fiscal Period July, August, September, November, and December 2017 which accepted some of the Taxpayer's objection so the tax dispute amount became Rp 3,965. On 6 July 2020, the Bank received a tax refund amounting to Rp 3,973 based on those Objection Decisions. On 4 September 2020, the Bank then filed appeal to the Tax Court against those Objection Decisions. Until this report is prepared, tax hearing on dispute Income Tax Article 26 Fiscal Period July, August, September, November, and December 2017 is still on going in Tax Court.

On 8 June 2020, DGT issued Objection Decision on Assessment Letter of VAT Fiscal Period December 2017 which rejected the Taxpayer's objection so the tax dispute amount remained Rp 4,508. On 14 September 2020, the Bank then filed appeal to the Tax Court against that Objection Decision. Until this report is prepared, tax hearing on dispute VAT Fiscal Period December 2017 is still on going in Tax Court.

On 9 June 2020, DGT issued Objection Decision on Assessment Letter of VAT on the Utilization of Taxable Intangibles from Outside Custom Area (VAT on Offshore Intangibles) Fiscal Period December 2017 which fully accepted the Taxpayer's objection of Rp 1,986. On 6 July 2020, the Bank received a tax refund based on that Objection Decision.

On 8 June 2020, DGT issued Objection Decision on Assessment Letter of VAT on the Utilization of Taxable Services from Outside Custom Area (VAT on Offshore Services) Fiscal Period December 2017 which fully accepted the Taxpayer's objection of Rp 21,271. On 6 July 2020, the Bank received a tax refund based on that Objection Decision.

- z. On 30 November 2020, 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 2016 for Taxpayer PE HSBC amounting to Rp 133,981 with agreed underpayment amounting to Rp 320. The Bank made a full payment of Rp 133,981 and recorded Rp 320 as an expense of the Bank in 2020 and Rp 133,661 as prepaid tax. On 23 February 2021, the Bank then filed an objection to Assessment Letter of CIT, Income Tax Article 26 (4), Article 26, VAT on Offshore Intangibles, and VAT on Offshore Services. . Until this report is prepared, tax hearing on dispute CIT, Income Tax Article 21, Article 23, Article 26, Final Article 4 (2), and VAT Fiscal Year 2016 is still on going in Tax Court.

37. 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.

37. 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.

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37. JASA KUSTODIAN (lanjutan)

Pada tanggal 31 Desember 2021 dan 2020 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, serta jasa-jasa penunjang terkait lainnya.

Pada tanggal 31 Desember 2021 dan 2020, total biaya jasa kustodian masing-masing sebesar Rp 251.386 dan Rp 238.315 (Catatan 31).

37. CUSTODIAL SERVICES (continued)

As at 31 December 2021 and 2020 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, and other related supporting services.

As of December 31, 2021 and 2020, total custodian services fee amounted to Rp 251,386 and Rp 238,315, respectively (Note 31).

38. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN PIHAK BERELASI

Rincian saldo yang signifikan dengan pihak berelasi pada tanggal 31 Desember 2021 dan 2020 adalah sebagai berikut:

38. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

The details of significant balance with related parties as of 31 December 2021 and 2020 are as follows:

	2021		2020		
	Jumlah/ Amount	Persentase/ Percentage ¹⁾	Jumlah/ Amount	Persentase/ Percentage ¹⁾	
Giro pada bank-bank lain	494.174	0,40	3.624.887	3,22	Demand deposits with other banks
Penempatan pada bank-bank lain	257.379	0,21	10.519.314	9,34	Placements with other banks
Wesel ekspor	-	-	51.516	0,05	Export bills
Tagihan derivatif	29.399	0,02	15.567	0,01	Derivative receivables
Kredit yang diberikan kepada nasabah	85.118	0,07	115.652	0,10	Loans to customers
Aset Lain-lain	5.313	0,00	578.319	0,51	Other Assets
Simpanan dari nasabah	19.761	0,02	25.179	0,03	Deposits from customers
Simpanan dari bank-bank lain	1.704.088	1,63	785.843	0,84	Deposits from other banks
Liabilitas derivatif	7.171	0,01	119.612	0,13	Derivative payables
Utang akseptasi	94.295	0,09	76.525	0,08	Acceptance payables
Beban akrual dan provisi	17.624	0,02	17.304	0,02	Accruals and provisions
Liabilitas lain-lain	14.783	0,01	91.795	0,10	Other Liabilities
Pinjaman yang diterima	6.199.838	5,94	7.516.750	8,06	Borrowings
Pinjaman subordinasi	1.068.937	1,02	1.053.750	1,13	Subordinated debt

¹⁾ Persentase terhadap jumlah aset/liabilitasPercentage of the total assets/liabilities ¹⁾

Pada tanggal 31 Desember 2021 dan 2020 seluruh aset keuangan dengan pihak berelasi memiliki kualitas lancar.

As of 31 December 2021 and 2020 all financial assets with the related party are classified as current.

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 2021, saldo terhutang atas fasilitas ini adalah sebesar Rp 6.199.838 (USD 435 juta). Pinjaman ini memiliki tingkat suku bunga mengambang, yaitu SOFR ditambah dengan spread berkisar 50 bps (basis point). Tanggal jatuh tempo pinjaman ini mulai dari Maret 2023 sampai dengan Juni 2023. Tidak ada aset yang ditempatkan sebagai jaminan atas pinjaman ini.

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 2021, the outstanding amount from this facility was Rp 6,199,838 (USD 435 million). This borrowing bears a floating interest rate of SOFR plus spread circa 50 bps (basis point). The maturity dates of the borrowing balances are ranging from March 2023 to June 2023. There is no asset put as collateral for this borrowing.

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38. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN
PIHAK BERELASI (lanjutan)

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 2021, saldo terhutang atas fasilitas ini adalah sebesar Rp 1.068.937 (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 2021 dan 2020 adalah sebagai berikut:

	2021		2020		
	Jumlah/ Amount	Persentase/ Percentage ²⁾	Jumlah/ Amount	Persentase/ Percentage ²⁾	
Pendapatan bunga	4.047	0,08	27.093	0,51	Interest income
Pendapatan provisi dan komisi	65.141	4,02	15.249	0,97	Fees and commission income
Beban bunga	117.392	9,35	245.577	17,14	Interest expenses
Beban provisi dan komisi	48.231	13,63	82.594	22,73	Fees and commission expenses
Beban umum dan administrasi	446.435	33,96	382.706	30,52	General and administrative expenses
Pendapatan lainnya - bersih	85	1,08	-	0,00	Other income - net

²⁾ Persentase terhadap masing-masing jumlah pendapatan/beban

Percentage of the respective total income/expenses ²⁾

Rincian tagihan kontinjensi dengan pihak-pihak berelasi pada tanggal 31 Desember 2021 dan 2020 adalah sebagai berikut:

	2021		2020		
	Jumlah/ Amount	Persentase/ Percentage ³⁾	Jumlah/ Amount	Persentase/ Percentage ³⁾	
Tagihan kontinjensi: Garansi yang diterima dari bank-bank lain	9.830.297	82,28	3.633.224	75,63	Contingent receivables: Guarantees received from other banks
Kewajiban kontinjensi: Garansi yang diberikan	(4.359.318)	42,58	(2.119.152)	26,80	Contingent liability: Bank guarantees provided

³⁾ Persentase terhadap masing-masing jumlah tagihan kontinjensi dan kewajiban kontinjensi

Percentage of the respective contingent receivables and contingent liability ³⁾

Rincian sifat hubungan dan jenis transaksi yang signifikan dengan pihak berelasi pada tanggal 31 Desember 2021 dan 2020 adalah sebagai berikut:

The details of the relationship and type of significant transactions with related parties as of 31 December 2021 and 2020 are as follows:

Pihak berelasi/Related party	Sifat relasi/Nature of relationship	Jenis transaksi/Type of transaction
HSBC Bank Australia Limited	Entitas sepengendali/Under common control	Giro/Demand deposits
HSBC Bank Canada	Entitas sepengendali/Under common control	Giro, akseptasi, liabilitas lain-lain, dan pendapatan provisi dan komisi/Demand deposits, acceptance, other liabilities, and fees and commissions income
The Hongkong and Shanghai Banking Corporation Limited, (Thailand branch) Bangkok	Entitas sepengendali/Under common control	Giro dan liabilitas lain-lain/Demand deposits and other liabilities

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**38. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN
PIHAK BERELASI (lanjutan)**

**38. NATURE OF RELATIONSHIP AND
TRANSACTIONS WITH RELATED PARTIES
(continued)**

Rincian sifat hubungan dan jenis transaksi yang signifikan dengan pihak berelasi pada tanggal 31 Desember 2021 dan 2020 adalah sebagai berikut: (lanjutan)

The details of the relationship and type of significant transactions with related parties as of 31 December 2021 and 2020 are as follows: (continued)

Pihak berelasi/Related party	Sifat relasi/Nature of relationship	Jenis transaksi/Type of transaction
The Hongkong and Shanghai Banking Corporation Limited, (Australian branches) Sydney	Entitas sepengendali/Under common control	Giro dan bank garansi yang diberikan/Demand deposits and bank guarantee provided
The Hongkong and Shanghai Banking Corporation Limited, (Indian branches) Mumbai	Entitas sepengendali/Under common control	Giro, akseptasi, dan bank garansi yang diberikan/Demand deposits, acceptance, and bank guarantee provided
The Hongkong and Shanghai Banking Corporation Limited, (Japanese branches) Tokyo	Entitas sepengendali/Under common control	Giro/Demand deposits
The Hongkong and Shanghai Banking Corporation Limited, (New Zealand branches) Auckland	Entitas sepengendali/Under common control	Giro/Demand deposits
Hang Seng Bank Limited	Entitas sepengendali/Under common control	Akseptasi dan call money/ Acceptance and call money
HSBC Bank plc	Entitas sepengendali/Under common control	Giro, surat berharga, liabilitas lain-lain dan transaksi derivatif/Demand deposits, investment securities, other liabilities and derivative transactions
The Hongkong and Shanghai Banking Corporation Limited, (Singaporean branches) Singapore	Entitas sepengendali/Under common control	Giro, akseptasi, transaksi derivatif, liabilitas lain-lain, surat berharga, dan bank garansi yang diberikan/Demand deposits, acceptance, derivative transactions, other liabilities, investment securities, and bank guarantee provided
The Hongkong and Shanghai Banking Corporation Limited	Entitas sepengendali/Under common control	Giro, akseptasi, transaksi derivatif, call money, pinjaman yang diterima, surat berharga, liabilitas lain-lain, beban bunga yang masih harus dibayar, bank garansi yang diterima, dan bank garansi yang diberikan/Demand deposits, acceptance, derivative transactions, call money, borrowings, investment securities, other liabilities, accrued expenses, bank guarantee accepted, and bank guarantee provided
HSBC Trinkaus and Burkhardt AG	Entitas sepengendali/Under common control	Giro, akseptasi, dan bank garansi yang diberikan/Demand deposits, acceptance, and bank guarantee provided
HSBC Bank Malaysia Berhad	Entitas sepengendali/Under common control	Giro, akseptasi, dan bank garansi yang diberikan/Demand deposits, acceptance, and bank guarantee provided
HSBC Amanah Malaysia Berhad	Entitas sepengendali/Under common control	Giro/Demand deposits
HSBC Asia Pacific Holdings (UK) Limited	Perusahaan induk/Parent company	Liabilitas lain-lain, Pinjaman subordinasi, dan bank garansi yang diberikan/ Other liabilities, Subordinated debt, and bank guarantee provided
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	Entitas sepengendali/Under common control	Giro, transaksi derivative, dan bank garansi yang diberikan /Demand deposits, derivative transactions, and bank guarantee provided
HSBC Bank (China) Company Limited	Entitas sepengendali/Under common control	Giro dan akseptasi/Demand deposits and acceptance
HSBC France	Entitas sepengendali/Under common control	Giro, bank garansi yang Diterima, dan bank garansi yang diberikan/Demand deposits, bank guarantee accepted, and bank guarantee provided
HSBC Bank (Taiwan) Limited	Entitas sepengendali/Under common control	Giro dan akseptasi/Demand deposits and acceptance

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**38. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN
PIHAK BERELASI (lanjutan)**
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 2021 dan 2020 kredit yang diberikan kepada personil manajemen kunci dikategorikan sebagai lancar.

Remunerasi personil manajemen kunci untuk tahun yang berakhir tanggal 31 Desember 2021 dan 2020 terdiri dari:

	2021	2020
Imbalan kerja jangka pendek	293.047	324.038
Imbalan kerja berbasis saham	9.050	8.788
Imbalan kerja jangka panjang lainnya	5.170	5.767
Imbalan pasca-kerja	22.265	34.465

Rincian gaji, tunjangan dan bonus Dewan Komisaris, Direksi, Komite Audit, dan Komite Pemantau Risiko selama tahun yang berakhir tanggal 31 Desember 2021 dan 2020 adalah sebagai berikut:

	2021	2020
Direksi	71.346	74.791
Dewan Komisaris	5.208	8.453
Komite Audit dan Komite Pemantau Risiko	738	720
Jumlah	77.292	83.964

Short-term employee benefits
Share-based compensation plan
Other long-term employee benefits
Post-employment benefits

Details of salaries, allowance and bonuses of the Board of Commissioners, Directors, Audit Committee and Risk Monitoring Committee for the years ended 31 December 2021 and 2020 are as follows:

Directors
Board of Commissioners
Audit Committee and Risk Monitoring Committee

Total

39. KOMITMEN DAN KONTINJENSI

Pada tanggal 31 Desember 2021 dan 2020 komitmen dan kontinjensi Bank adalah sebagai berikut:

	2021	2020
Komitmen		
Kewajiban komitmen		
L/C yang tidak dapat dibatalkan	(3.197.217)	(2.050.678)
Fasilitas kredit yang belum digunakan - committed	(6.207.716)	(9.611.269)
Fasilitas kredit yang belum digunakan - uncommitted	(68.887.995)	(68.523.704)
Jumlah kewajiban komitmen	(78.292.928)	(80.185.651)
Kontinjensi		
Tagihan kontinjensi		
Bank garansi yang diterima	10.599.351	4.424.865
Pendapatan bunga dalam penyelesaian - Bunga kredit lainnya	566.386	378.880
Lainnya	780.945	-
	11.946.682	4.803.745
Kewajiban kontinjensi		
Bank garansi yang diberikan	(10.237.245)	(7.908.442)
Tagihan (kewajiban) kontinjensi - bersih	1.709.437	(3.104.697)

Bank garansi diterbitkan atas nama nasabah dalam rangka penjaminan pembayaran kredit dan pelaksanaan proyek.

Pada tanggal 31 Desember 2021 dan 2020 semua L/C dan bank garansi diterbitkan untuk pihak ketiga.

39. COMMITMENTS AND CONTINGENCIES

As of 31 December 2021 and 2020 Bank's commitment and contingencies are as follows:

Commitment
Committed liabilities
Irrevocable L/C

Unused credit facilities – committed

Unused credit facilities – uncommitted

Total committed liabilities

Contingency
Contingent receivable
Bank guarantees accepted

Interest income in settlement – loan

Others

Contingent liabilities
Bank guarantees provided

Contingent receivable (liabilities) - net

Bank guarantees are issued on behalf of customers for credit repayment and project implementation purposes.

As of 31 December 2021 and 2020 all L/C and bank guarantees were issued to third parties.

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39. KOMITMEN DAN KONTINJENSI (lanjutan)

Pada tanggal 31 Desember 2021 dan 2020 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 2021 dan 2020.

40. 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.

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.

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39. COMMITMENTS AND CONTINGENCIES (continued)

As of 31 December 2021 and 2020 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 2021 and 2020.

40. 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.

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.

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40. PERJANJIAN PENTING (lanjutan)**Perjanjian layanan jasa antargrup – HBAP
(lanjutan)**

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.

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 pasca penutupan Bank.

**41. JAMINAN PEMERINTAH TERHADAP KEWAJIBAN
PEMBAYARAN BANK UMUM**

Berdasarkan Undang-Undang No. 24 tanggal 22 September 2004 yang berlaku efektif sejak tanggal 22 September 2005, sebagaimana diubah dengan Peraturan Pemerintah Pengganti Undang-Undang Republik Indonesia No. 3 tanggal 13 Oktober 2008, Lembaga Penjaminan Simpanan (LPS) dibentuk untuk menjamin liabilitas tertentu bank-bank umum berdasarkan program penjaminan yang berlaku, yang besaran nilai jaminannya dapat berubah jika memenuhi kriteria tertentu yang berlaku.

Pada tanggal 31 Desember 2021 dan 2020, berdasarkan Peraturan Pemerintah Republik Indonesia No. 66 Tahun 2008 tanggal 13 Oktober 2008 mengenai Besarnya Nilai Simpanan yang dijamin Lembaga Penjaminan Simpanan, jumlah simpanan yang dijamin LPS adalah simpanan sampai dengan Rp 2.000 untuk per nasabah per bank. Simpanan nasabah dijamin hanya jika suku bunganya sama dengan atau dibawah 3,50% untuk simpanan dalam Rupiah dan 0,25% untuk simpanan dalam mata uang asing pada tanggal 31 Desember 2021 (31 Desember 2020: 4,50% dan 1,00%).

Pada tanggal 31 Desember 2021 dan 2020, total biaya premi LPS yang dibebankan oleh Bank masing-masing sebesar Rp 176.965 dan Rp 138.153 (Catatan 35).

40. SIGNIFICANT AGREEMENT (continued)**Intra-group service agreement – HBAP (continued)**

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.

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.

**41. GOVERNMENT GUARANTEE ON OBLIGATIONS
OF COMMERCIAL BANKS**

Based on Law No. 24 dated 22 September 2004, effective on 22 September 2005, which was amended by the Government Regulation No. 3 dated 13 October 2008, the Indonesia Deposit Insurance Agency (LPS) was formed to guarantee certain liabilities of commercial banks under the applicable guarantee program, which the amount of guarantee can be amended if the situation complies with the valid particular criterias.

On December 31, 2021 and 2020, based on the Government Regulation of the Republic of Indonesia No. 66 of 2008 dated October 13, 2008 regarding the amount of deposits guaranteed by the deposits insurance corporation, the number of deposits guaranteed by the LPS is deposits, the number of deposits guaranteed by the LPS is deposits up to Rp 2,000 for each customer of each bank. Customer deposits are guaranteed only if the interest rate is equal to or below 3.5% for deposits in rupiah and 0.25% for deposits in foreign currencies on December 31, 2021 (31 Desember 2020: 4.50% dan 1.00%).

As of 31 December 2021 and 2020, total LPS premium booked by the Bank amounted to Rp 176,965 and Rp 138,153, respectively (Note 35).

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42. REKLASIFIKASI**Laporan Posisi Keuangan**

Akun-akun tertentu dalam laporan posisi keuangan pada tanggal 31 Desember 2020 telah direklasifikasi agar sesuai dengan penyajian laporan posisi keuangan untuk tahun yang berakhir pada tanggal 31 Desember 2021.

42. RECLASSIFICATION**Statement of Financial Position**

Certain accounts in the statement of financial position as of 31 December 2020 has been reclassified in relation to conform with the presentation of statement of financial position for the year ended 31 December 2021.

31 December/December 2020			
Disajikan sebelumnya/ As previously stated	Setelah reklasifikasi/ After reclassification	Jumlah/ Amount	Alasan reklasifikasi/ Reason of reclassification
Aset lain-lain/Other assets	Aset Tetap/Fixed assets	319.413	Agar sesuai dengan penyajian laporan posisi keuangan untuk tahun yang berakhir pada tanggal 31 Desember 2021/To conform with the presentation of statement of financial position for the year ended 31 December 2021
Aset lain-lain/Other assets	Pajak dibayar dimuka/ Prepaid tax	1.005.429	Agar sesuai dengan penyajian laporan posisi keuangan untuk tahun yang berakhir pada tanggal 31 Desember 2021/To conform with the presentation of statement of financial position for the year ended 31 December 2021

Laporan Arus Kas

Aktivitas tertentu dalam laporan arus kas pada tanggal 31 Desember 2020 telah direklasifikasi agar sesuai dengan penyajian laporan arus kas tahun yang berakhir pada tanggal 31 Desember 2021.

Statement of Cash Flow

Certain activities in the statement of cash flow as of 31 December 2020 has been reclassified in relation to conform with the presentation of statement of cash flow for the year ended 31 December 2021.

31 December/December 2020			
Disajikan sebelumnya/ As previously stated	Setelah reklasifikasi/ After reclassification	Jumlah/ Amount	Alasan reklasifikasi/ Reason of reclassification
Laba atas selisih kurs – bersih/ Realised foreign exchange gain - net	Penerimaan pendapatan operasional/Receipts from operating income	27.905	Untuk menyesuaikan berdasarkan sifat transaksi/To adjust based on nature of transaction
Penerimaan pendapatan operasional/Receipts from operating income	Hasil penjualan aset tetap/ Proceed from sales of properties and equipments	(19.918)	Untuk menyesuaikan berdasarkan sifat transaksi/To adjust based on nature of transaction
Perolehan aset hak-guna/ Acquisition of right-of-use assets	Liabilitas lain-lain/Other liabilities	(106.785)	Untuk menyesuaikan berdasarkan sifat transaksi/To adjust based on nature of transaction
(Pembayaran)/penerimaan pinjaman dan pinjaman subordinasi/(Payment)/proceed from borrowings and subordinated debts	Pembayaran pinjaman/ Payment from borrowings	(21.795.000)	Untuk menyesuaikan berdasarkan sifat transaksi/To adjust based on nature of transaction
(Pembayaran)/penerimaan pinjaman dan pinjaman subordinasi/(Payment)/proceed from borrowings and subordinated debts	Perolehan pinjaman/ Proceed from borrowings	13.878.375	Untuk menyesuaikan berdasarkan sifat transaksi/To adjust based on nature of transaction

ARUS KAS DARI AKTIVITAS OPERASI:

Laba atas selisih kurs - bersih	27.905	(27.905)	-
Penerimaan pendapatan operasional	1.722.738	47.823	1.770.561
Liabilitas lain-lain	819.196	(106.785)	712.411
	2.569.839	(86.867)	2.482.972

CASH FLOWS FROM OPERATING ACTIVITIES:

Realised foreign exchange gain - net
Receipts from operating income
Other Liabilities

ARUS KAS DARI AKTIVITAS INVESTASI:

Perolehan aset hak guna usaha	(106.785)	106.785	-
Hasil penjualan aset tetap	21.694	(19.918)	1.776
	(85.091)	(86.867)	1.776

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of right of use assets
Proceed from sale of properties and equipment

Dampak bersih reklasifikasi pada arus kas	2.484.748	-	2.484.748
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Net impact of reclassification of cash flow

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43. STANDAR AKUNTANSI BARU

Pernyataan Standar Akuntansi Keuangan (PSAK) dan Interpretasi Standar Akuntansi Keuangan (ISAK) yang telah disahkan oleh Dewan Standar Akuntansi Keuangan (DSAK) tetapi belum berlaku efektif untuk laporan keuangan selama tahun berjalan yang relevan bagi Bank diungkapkan di bawah ini.

PSAK yang berlaku sejak 1 Januari 2022 dan penerapan dini diperkenankan:

- Amendemen PSAK 22 "Kombinasi Bisnis" (Rujukan kepada Kerangka Konseptual Laporan Keuangan).
- Amendemen PSAK 57 "Provisi, Liabilitas Kontinjensi, dan Aset Kontinjensi" tentang Kontrak Memberatkan - Biaya Pemenuhan Kontrak.
- Penyesuaian tahunan terhadap PSAK 71 "Instrumen Keuangan".
- Penyesuaian tahunan terhadap PSAK 73 "Sewa".

PSAK yang berlaku sejak 1 Januari 2023 dan penerapan dini diperkenankan:

- Amendemen PSAK 1 "Penyajian Laporan Keuangan" tentang Klasifikasi Liabilitas sebagai Jangka Pendek atau Jangka Panjang.
- Amendemen PSAK 16 "Aset Tetap tentang Hasil Sebelum Penggunaan yang Diintensikan".

Pada saat penerbitan laporan keuangan, Bank masih mengevaluasi dampak yang mungkin timbul dari penerapan standar baru dan revisi tersebut terhadap laporan keuangan.

44. PERKARA HUKUM

Terdapat sejumlah perkara hukum yang belum selesai sampai dengan tanggal laporan keuangan ini. Mengingat bahwa proses hukum masih berlangsung, maka sampai saat ini belum dapat ditentukan jumlah kerugian yang mungkin timbul. Namun, Manajemen berkeyakinan bahwa tidak terdapat kerugian signifikan yang mungkin timbul dari sejumlah perkara hukum tersebut.

43. NEW ACCOUNTING STANDARDS

The Statements of Financial Accounting Standards (SFAS) and Interpretation of Financial Accounting Standards (ISFAS) issued by the Board of Financial Accounting Standards (DSAK) but not yet effective for current year financial statements which are relevant to the Bank are disclosed below.

SFAS that will become effective in 1 January 2022 and early implementation is permitted:

- *Amendment to SFAS 22 "Business Combination" (References to the Conceptual Framework of Financial Reporting).*
- *Amendment to SFAS 57 "Provisions, Contingent Liabilities and Contingent Assets" related to Onerous Contracts - Cost of Fulfilling the Contracts.*
- *Annual improvements to SFAS 71 "Financial Instruments".*
- *Annual improvements to SFAS 73 "Lease".*

SFAS that will become effective in 1 January 2023 and early implementation is permitted:

- *Amendment to SFAS 1 "Presentation of Financial Statement" related to Liabilities Classification as Short or Long-term.*
- *Amendment to SFAS 16 "Fixed Assets regarding Output Before Intended Use".*

As at the authorisation date of this financial statements, the Bank is still evaluating the potential impact of these new and revised standards to the financial statements.

44. LEGAL CASE

There are numbers of unresolved legal cases until the date of these financial statements. Since those legal cases are still in the process, therefore the Bank has not been able to determine possible losses that might arise. However, Management believes that there are no significant losses that might arise from those legal cases.

Annual Report

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RESILIENT PERFORMANCE IN CHALLENGING TIMES

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