

2023

Annual Report
PT BANK HSBC INDONESIA



UNLOCKING OPPORTUNITIES IN **INDONESIA**



Cautionary statement regarding forward-looking statements

This *Annual Report and Accounts* contains certain forward-looking statements with respect to the financial condition, results of operations and business of PT Bank HSBC Indonesia (the “Bank”). Statements that are not historical facts, including statements about the Bank’s beliefs and expectations, are forward-looking statements. Words such as ‘expects’, ‘anticipates’, ‘intends’, ‘plans’, ‘believes’, ‘seeks’, ‘estimates’, ‘potential’ and ‘reasonably possible’, variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forwardlooking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in the light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. Please see page 227 for the additional cautionary statement regarding environmental, social and governance, as well as climate-related data, metrics and forward-looking statements. This document also contains words of ‘PT Bank HSBC Indonesia’ which will be used interchangeably with ‘the Bank’ throughout this document.

Certain defined terms

References within this document to (i) ‘HSBC’ means ‘The Hongkong and Shanghai Banking Corporation Limited (together with its subsidiaries, the ‘HSBC group’); and (ii) the ‘Group’ or the ‘HSBC Group’ means ‘HSBC Holdings plc together with its subsidiaries (including the HSBC group).

UNLOCKING OPPORTUNITIES IN INDONESIA

Following the pandemic, the Indonesian economy continues to grow robustly in 2023. Looking ahead, the prospects for economic growth are promising, aided by a variety of factors such as the demographic dividend, the expansion of the digital economy, and control over resources that will enable the green economy of the future. PT Bank HSBC Indonesia, with local experience and a physical presence in 18 cities, as well as being part of an expansive global network throughout the world, can serve as a door to growth prospects for business customers in Indonesia and around the world.

Contents

04 2023 Performance Highlights

Key Highlights 2023	4
Financial Highlights	5
Strategic Initiatives in 2023	6
Awards in 2023	7
Significant Events	8

13 Management Report

Report of The Board of Commissioners	18
Report of The Board of Directors	24

36 Company Profile

Company Profile	38
Company Vision, Mission, and Core Values	40
Brand Personality	42
Shareholding Structure	43
Share Ownership	44
Products and Services	44
Business Activities	45
Profile of the Board of Commissioners	46
Profile of the Board of Directors	50
Organisational Structure	54

56 Management Discussion and Analysis

Economic Industry Review	58
Business Review	61
Business Outlook	64
Marketing Analysis	66
Business Support Review	66
- Human Resources	69
- Technology & Operations	81
Financial Performance Review	83
Other Material Information	91
Business Outlook	94
Risk Management	96
- Risk Exposure and Capital	96
- Risk Management Practice	101
- Information Disclosures of Risk Exposures and Capital	110

165**Good Corporate Governance**

The Principles of Good Corporate Governance	160
Governance Statement	161
Good Corporate Governance Principles	161
The Objective of Good Corporate Governance Implementation	161
Governance Assessment	162
Good Corporate Governance Structures	162
General Meeting of Shareholders	162
Board of Commissioners	163
Board of Directors	172
The Implementation of Financial Conglomerates	177
Corporate Secretary	179
Compliance Function	179
Legal Issues	181
Share Options	181
Share Ownership of The Board of Commissioners and The Board of Directors	181
Affiliate Relationships	181
Self-Assessment	181
Internal Audit Work Unit	182
External Audit	182
The Implementation of Risk Management	183
Detailed Large Funding	183
Risk Profile	183
Risk Management Certification	184
Remuneration Disclosures 2023	184
Customer Complaint Handling	189

190**Corporate Data****194****2023 Sustainability Report****229****Financial Statements**

KEY HIGHLIGHTS 2023

The banking sector still continued its recovery in 2023, despite reduced liquidity in the market and high interest rate environment. PT Bank HSBC Indonesia saw positive performance with strong capital and adequate liquidity.



Capital Adequacy Ratio (CAR)

25.75%

CAR was at a healthy level and above regulatory requirement.



Net Interest Income

Rp 4.4 trillion

Net Interest Income increased from Rp3.7 trillion in 2022.



Non- Interest Income

Rp 2.6 trillion

Non Interest Income increased from Rp2.3 trillion in 2022.



Gross Non-Performing Loan Ratio

3.57%

Improved from 3.95% in the previous year



Return on Equity

13.71%

Return on equity ratio increased from 10.69% in 2022.



Return on Assets

2.40%

Return on assets ratio increased from 1.96% in 2022.



Net Profit

Rp 2.4 trillion

Net profit increased from Rp1.9 trillion in 2022.



Net Interest Margin (NIM)

3.98%

Net interest margin stood at 3.98%, higher from 3.46% in 2022.

Key Highlights 2023

Management Report

Company Profile

Management Discussion and Analysis

Good Corporate Governance

Corporate Data

Sustainability Report

Financial Statements

FINANCIAL HIGHLIGHTS

(in billion Rupiah, unless otherwise specified)

	2023	2022
Statements of Financial Position		
Total Assets	125,378	125,982
Total Productive Assets	110,276	112,821
Loans to Customers - Gross	54,456	56,361
Investment Securities	19,156	13,308
Total Liabilities	106,392	108,231
Deposits from Customers		
- Demand Deposits	39,048	43,087
- Savings Accounts	13,885	15,539
- Time Deposits and Deposits on Call	33,386	31,562
Borrowings and Subordinated Debts	10,624	8,718
Total Equity	18,986	17,751
Statements of Comprehensive Profit or Loss		
Interest Income	7,040	4,993
Interest Expenses	(2,619)	(1,246)
Net Interest Income	4,421	3,747
Non-Interest Income	2,583	2,280
Total Operating Income	7,004	6,027
Profits Before Tax	3,149	2,470
Net Profit for the Year	2,448	1,903
Other Comprehensive Income/(Expense), Net of tax	24	(435)
Comprehensive Income	2,472	1,468
Earnings per Share (in Rupiah, Full Amount)	N/A	N/A
Financial Ratios		
Capital		
Capital Adequacy Ratio (CAR)	25.75%	25.07%
Productive Assets Quality		
Non-Performing Productive and Non-Productive Assets to Total Productive and Non-Productive Assets Ratio	1.04%	1.22%
Non-Performing Productive Assets to Total Productive Assets Ratio	1.76%	1.97%
Allowance Provision on Earning Assets to Total Earning Assets	2.01%	2.63%
Non-Performing Loan Ratio - Gross	3.57%	3.95%
Non-Performing Loan Ratio - Net	0.78%	0.64%
Profitability		
Return on Assets (ROA)	2.40%	1.96%
Return on Equity (ROE)	13.71%	10.69%
Net Interest Margin (NIM)	3.98%	3.46%
Operating Expenses to Operating Income (BOPO)	79.89%	73.55%
Cost to Income Ratio (CIR)	71.78%	67.92%
Liquidity		
Loan to Deposit Ratio (LDR)	62.79%	62.49%
Macroprudential Intermediation Ratio (MIR)	61.56%	60.53%
Low-Cost Funding Ratio	61.32%	65.00%
Liability to Equity Ratio	560.37%	609.72%
Liability to Asset Ratio	84.86%	85.91%
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%	0.00%
b. Non-Related Party	0.00%	0.00%
Minimum Reserve Requirement		
a. Primary Reserve Requirement - Rupiah		
- Daily	0.00%	0.00%
- Average	13.85%	12.84%
b. Primary Reserve Requirement - Foreign Currency	4.13%	4.23%
Net Open Position (NOP)	1.74%	1.77%

STRATEGIC ACTIONS **IN 2023**

In 2023, PT Bank HSBC Indonesia continued the following strategic priorities to grow sustainably:

Key Highlights 2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

- Continued and adapted the best solution to capture opportunities upon the recovery amid the potential of a global economic slowdown.
- 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, particularly in the segments of Multinational Clients, Cash Management, Trade Finance, ESG, 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 across all categories of assets.
- Attracted, educated, and maintained existing talents, in addition to operational streamlining and automating, and strengthening oversight.
- Helped clients' businesses transition from carbon-intensive activities, as well as develop new energy sources, technology, and infrastructure needed for a cleaner future.

AWARDS 2023



- Digital Brand of the Year 2023 in the Conventional Bank Category for Assets Below Rp150 Trillion from Infobank
- Best SME Product Innovation of the Year (HSBC Fusion) from The Digital Banker – Global SME Banking Innovation Awards 2023
- Best Liquidity and Investments Solution from The Asset Triple A Treasuries Awards 2023
- Best Payments and Collections Solution from The Asset Triple A Treasuries Awards 2023
- Best ESG Solution – Trade Finance from The Asset Triple A Treasuries Awards 2023
- Best Subcustodian (4x) from The Asset Triple A Sustainable Investing Awards for Institutional Investor, ETF & Asset Servicing Providers 2023
- Best Fund Administrator, Retail Funds (7x) from The Asset Triple A Sustainable Investing Awards for Institutional Investor, ETF & Asset Servicing Providers 2023
- ESG Program of the Year - Silver from ABF Retail Banking Awards 2023
- Digital Business Banking Initiative of the Year – Indonesia from ABF Retail Banking Awards 2023
- Special Award: The Trail Blazers Bank of Service Excellence from Infobank 20th Banking Service Excellence Award (BSEA) 2023
- The 1st Best – Convenient Branch Experience in Priority Service from Infobank 20th Banking Service Excellence Award (BSEA) 2023
- The 2nd Best – Phone Banking from Infobank 20th Banking Service Excellence Award (BSEA) 2023
- Best International Bank in Indonesia from Asiamoney Best Bank Awards 2023 (2022-2023)
- Best ESG Initiative – Indonesia from The Digital Banker, Global Retail Banking Innovation Awards 2023
- Excellence in Digital Wealth Management from The Digital Banker, Global Retail Banking Innovation Awards 2023
- Outstanding Customer Relations & Brand Engagement Initiative from The Digital Banker, Global Retail Banking Innovation Awards 2023
- Best Wealth Manager 2018–2023 (6 consecutive years) from The Asset Triple A
- Number 1 for Private Creditor/Investor from Apresiasi Mitra BUMN Champion 2023
- Participant of FMI (BI-SSSS) – Best Sub Registry Participant from Bank Indonesia Award 2023

SIGNIFICANT EVENTS



Key Highlights 2023

Management Report

Company Profile

Management Discussion and Analysis

Good Corporate Governance

Corporate Data

Sustainability Report

Financial Statements



Attracting foreign investment to Indonesia

With a strong partnership with the Ministry of Investment/BKPM, HSBC supports Indonesia's 2045 vision of becoming one of the world's five largest economies. At the HSBC Indonesia Day event at the ministry, the Bank discussed the journey of Indonesia's investment climate transformation, the government's emphasis on sustainable investment, and the Bank's efforts to unlock massive growth for clients through its global network. HSBC also held Indonesia Day in Korea, China, and Singapore to attract investment into Indonesia.

Knowing customer lifestyles through travel

The HSBC-ANA Travel Fair demonstrated the Bank's effort to providing the best service possible to Premier customers, with a focus on lifestyle. This time, through end-to-end services beginning with ticket purchases for travel to the United States, Canada, and Japan, which are popular destinations for Indonesian travellers.

'Owning the City' initiative to jointly develop the city of Medan

This initiative included a signing ceremony, a client gathering night, and the 2023 economic outlook, all of which aimed to provide the most up-to-date economic information, enrich business players' perspectives, and foster optimism about the economy's ability to strengthen in line with Indonesia's commitment to building a green economy.

Supporting Pertamina's expansion in Balikpapan

As Mandated Lead Arranger, Facility Agent, Intercreditor Agent, Trustee Borrower, Paying Agent, and Bank Account, HSBC provided USD3.1 billion in project financing for the expansion of the Pertamina refinery in Balikpapan. This demonstrates the Bank's effort to supporting Indonesia's infrastructure and economic development, as well as ESG, because this project is consistent with Pertamina's commitment to supporting the 2060 zero carbon target.

Inauguration of the HSBC Wealth Centre Pondok Indah

The HSBC Wealth Centre in Pondok Indah, Jakarta, aims to improve wealth management services for HSBC Premier customers by emphasising the importance of innovation in providing relevant services. One thing that was emphasised was the importance of future investment, including ESG factors, in supporting sustainability efforts.

Social loan of Rp150 billion to Indonesian female MSMEs

Together with PT Mitra Bisnis Keluarga (MBK), the Bank provided working capital for female microentrepreneurs through Rp150 billion in social loans, thereby promoting financial inclusion. The MSME sector accounts for 61% of Indonesia's GDP, with approximately 64% run by women.



Badminton legend Liliyana Natsir gives exclusive training for customers

The Bank hosted a Badminton Clinic exclusively for HSBC Premier customers and their families, featuring Indonesian badminton legend Liliyana Natsir and former professional coaches from the national training centre. This initiative is an expression of gratitude to customers and is expected to raise HSBC brand awareness.

Continuous support for Telkom Group business

HSBC served as a financial advisor during the transition of Indihome from Telkom to Telkomsel. This was Indonesia's second largest corporate transaction since 2018, and the fourth largest in history. Previously, HSBC served as a financial advisor to Telkomsel in the sale of 6,000 telecommunications towers to Mitratel in 2022, as well as Joint Global Coordinator (JGC) for Mitratel's initial public offering in 2021.

Optimising China-ASEAN cooperation opportunities

The China-ASEAN Summit brought together the CEOs of HSBC ASEAN countries (Indonesia, the Philippines, Singapore, Thailand, and Vietnam) and the CEO of HSBC China to discuss trade and investment opportunities, access to natural resources, and technological collaboration. They also provided insight into ASEAN and each market, highlighting key aspects for customers from this region looking to expand their business in China and beyond.

Supporting the development of the Indonesian steel industry

HSBC has been mandated by PT Krakatau Posco (PTKP) to provide USD50 million in short-term working capital financing to support high-value steel production. This product's output is widely used in manufacturing companies, including electric vehicles (EVs). This assistance opens the door for the Bank to become involved in other business needs, such as potential ESG financing in the future.

The aim to bridge foreign investment in IKN project.

HSBC is aiming to facilitate foreign investment in the IKN project, promoting IKN, and attracting foreign investors through its global network. Potential investors are currently considering various opportunities for their businesses. The IKN project is expected to have a significant positive impact on the Indonesian economy, creating new jobs for Indonesians.

SIGNIFICANT **EVENTS**



Key Highlights 2023

Management Report

Company Profile

Management Discussion and Analysis

Good Corporate Governance

Corporate Data

Sustainability Report

Financial Statements



The importance of technological innovation in digital transformation

Technological disruption drives the banking industry to innovate in digital transactions, which are more cost-effective and convenient for consumers. According to Riko Adyitha, Wholesale Banking Director of PT Bank HSBC Indonesia, real-time payments can help businesses grow internationally and provide more options for consumers with the help of international banks.

Cyber security sharing session with stakeholders

In his visit to Indonesia on 13-15 February 2023, Jonathan Scott Lee, Head of Cyber Security at HSBC Asia Pacific, discussed cyber security with the Bank's premier customers, Directors and Board of Commissioners representatives, as well as invited guests from the OJK and Bank colleagues. The discussion focused primarily on global cyber security issues, as well as neurodiversity, which refers to brain conditions that impair human abilities (such as autism, ADHD). The discussion was expected to increase Bank colleagues' knowledge of developments in these two topics.

Ease of transactions with The Bank's latest mobile banking

PT Bank HSBC Indonesia has launched its latest mobile banking application, which was designed and developed to help customers manage their daily banking needs as well as manage and grow their wealth. Several new features were introduced, including simplified daily banking activities, payments and transfers anytime and anywhere, secure log on, and easier wealth management.

Artificial Intelligence technology to support business solutions

HSBC is collaborating with 6Estates Pte Ltd., a Singapore-based Enterprise Artificial Intelligence (AI) solution provider, to implement AI solution innovation in the Retail Business Banking segment. AI is applied to loan application processing and loan facility monitoring to expedite customer onboarding and credit assessment. This initiative also benefits ESG by reducing the need for printing and has the potential to accelerate SME segment analysis in order to promote financial inclusion.



Support for PT Kilang Pertamina Balikpapan strategic projects

PT Bank HSBC Indonesia also funded the Refinery Development Master Plan (RDMP) of the PT Kilang Pertamina Balikpapan project, Indonesia's largest project financing to date. The Balikpapan refinery, one of central Indonesia's energy security pillars, can supply energy to Kalimantan, Sumatra, Sulawesi, and Papua. This refinery will also reduce gas emissions from vehicles by improving the quality of more environmentally friendly fuels that meet EURO V standards.

Series of activities for World Environment Day 2023

WED 2023, through the #BeatPlasticPollution campaign, urged all individuals and stakeholders to address plastic waste. Bank volunteers and their families worked with WWF Indonesia to conserve clean water and process waste along the Pesanggrahan River. There was also a documentary screening about plastic and a discussion about how to sort plastic waste more efficiently. The activity concluded with Back to Nature Camping with WWF in the Paseban Puncak Bogor area, where participants monitored the progress of tree planting and carried out conservation activities in the upper reaches of the Ciliwung River.

Supporting the role of journalists in reporting sustainability issues

HSBC Media Workshop & Writing Competition assisted journalists in disseminating accurate information on sustainable financing for economic growth and carbon reduction in Indonesia. This workshop explored the concept of sustainable financing, provided information on relevant investment opportunities, highlighted the implementation of impactful policies, and identified the challenges encountered.

Channelling sustainable financing to support ESG ambitions

The Bank provided a USD20 million green term loan to PT Indo-Rama Synthetics Tbk, an integrated spun and polyester yarn producer, to help Indo-Rama increase energy efficiency by approximately 20% through the installation of new, energy-saving machines. The first green loan with PT Bank HSBC Indonesia extends Indorama Group and HSBC's three-decade-long global partnership.

SIGNIFICANT EVENTS



Key Highlights 2023



Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

PT Bank HSBC Indonesia participates in supporting domestic sustainability efforts

HSBC participated in several side events coinciding with the 43rd ASEAN Summit in Jakarta to promote sustainability. The discussion session with Eurocham on the theme “Energising Green Prosperity: Cultivating Sustainability through Green Financing” emphasised the importance of collaboration among all stakeholders in promoting the transition to zero carbon emissions. President Director of PT Bank HSBC Indonesia, Francois de Maricourt, expressed the Bank’s strives to assisting customers in their transition. HSBC’s active participation in the international partnership Just Energy Transition Partnership (JETP) is also expected to accelerate the Indonesian government’s zero-emissions goal from 2060 to 2050.

In addition, the Bank hosted an Indonesia Sustainability Forum (ISF) panel discussion titled “Mobilising Public and Private Capital for Decarbonisation,” which emphasised the implementation of the energy transition mechanism (ETM) as one way to support efforts to accelerate the energy transition to zero carbon emissions without burdening state budgets. ETM is funded through a mix of financing from various sources, including government agencies, development banks, commercial banks, climate change funds, equity investors, insurance companies, and local and international philanthropists, with effective mechanisms in place to identify projects for funding.

Expanding the footprint of ESG education to universities

PT Bank HSBC Indonesia and the Putera Sampoerna Foundation continued their collaboration to promote ESG at the University of Indonesia’s Faculty of Economics and Business, following similar sessions in Surabaya, Bandung, and Yogyakarta. President Director Francois de Maricourt explained how ESG evolved into a criterion for company performance and influenced investors’ investment decisions.

Supporting Indonesia’s potential in the global electric vehicles supply chain

On March 8, the HSBC Investment Forum focused on “Accelerating Indonesia’s Ambition to Become the World’s Largest EV Supply Chain Hub”. This forum was organised in collaboration with EKONID (AHK Indonesia), with sessions moderated by Michael Willoughby, Global Head of Metals and Mining, Global Banking HSBC, and featuring experts from the Indonesian government as well as representatives from related institutions and industries. Indonesia, as the world’s largest provider and producer of nickel, can help to develop the domestic electric vehicle industry, thereby supporting the ambition of achieving zero carbon emissions by 2060.



Journey to support mangrove restoration in Jakarta and Riau

In partnership with the Nusantara Nature Conservation Foundation (YKAN) in the Mangrove Ecosystem Restoration Alliance (MERA) programme since 2021, the Bank planted 200 mangrove trees in the Muara Angke Wildlife Reserve at the end of last year, followed by invasive plant removal and mangrove seeding, as well as a photography competition. This activity involved 100 Bank employees as volunteers, with a total of 600 hours spent on sustainability activities. The Bank also helped restore mangrove ecosystems in Teluk Pambang Village, Bengkalis Regency, Riau Province, as part of the MERA partnership.

Supporting the health services sector in Indonesia

The Bank completed a Limited Recourse Receivables Finance (LRRD) transaction with PT Siemens Healthineers Indonesia (SHI) and PT Graha Kardia Indonesia (GKI), the first long-term receivables financing agreement in Indonesia with a five-year term, as well as the first Receivables Finance transaction for the health sector in Indonesia. SHI engages in importing and trading medical equipment, while GKI is a subsidiary of the Jakarta Heart Centre, which is a specialised private hospital focusing on heart and cardiovascular diseases in Tasikmalaya.

Financial support to encourage sustainability efforts

The Bank recorded corporate deals related to sustainable finance. The first, as Mandated Lead Arranger and Bookrunner (MLAB) and Joint Sustainability Coordinator, regarding the provision of Syndicated Sustainability Linked Term Loan facilities worth the equivalent of USD60 million with a five-year term for PT Semen Baturaja Tbk. Second, a term green credit of USD10.3 million with a six-year tenor for PT Euroasiatic Heat and Power Systems to finance a gas turbine power plant with a natural gas or Bio-CNG power generation system produced from naturally decomposed waste.

SIGNIFICANT **EVENTS**



Key Highlights 2023



Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

HSBC Family Carnival brings fun with the family

A work-life balance is an important priority for the Bank. Hence, on August 27, 2023, The Bank's Social Committee colleagues held the HSBC Family Carnival, which presented relaxing and fun activities for employees and their families. The activities included in the HSBC Family Carnival were fun walks, August 17th competitions, an office tour, an amazing race, bazaars, fashion shows, musical performances, and door prizes for various ages. This event encouraged interaction between every element in the Bank, eliminated work hierarchy boundaries, and created stronger togetherness.

HSBC Growtopia 2023 invites the Bank's colleagues to compete in quiz

A "Battle of the Brains" (BoBa) quiz commenced at HSBC Growtopia 2023 on various topics in the world of HSBC. Each team consisted of three people, who would compete until the main event of the Grand Final on September 21. Each participant who took part got an additional 10 CHARLIE points, while the finalists in the Grand Final round would compete for an e-wallet prize worth Rp9 million for the champion and Rp6 million for the runner-up.

The Bank's efforts to build diversity and inclusion to encourage growth

Globally, HSBC aims to have 35% of senior leadership positions held by women by 2025 in order to create employee equality. PT Bank HSBC Indonesia is also aiming to empowering female entrepreneurs, as evidenced by its support for PT Mitra Bisnis Keluarga Ventura (MBK), which assists female entrepreneurs with low incomes and no banking access. On September 19, 2023, the Bank hosted the Women Leadership Forum, which featured Amanda Murphy, Head of Commercial Banking, South & Southeast Asia, who shared her experience as a female senior leader at HSBC and inspired fellow Bank employees.

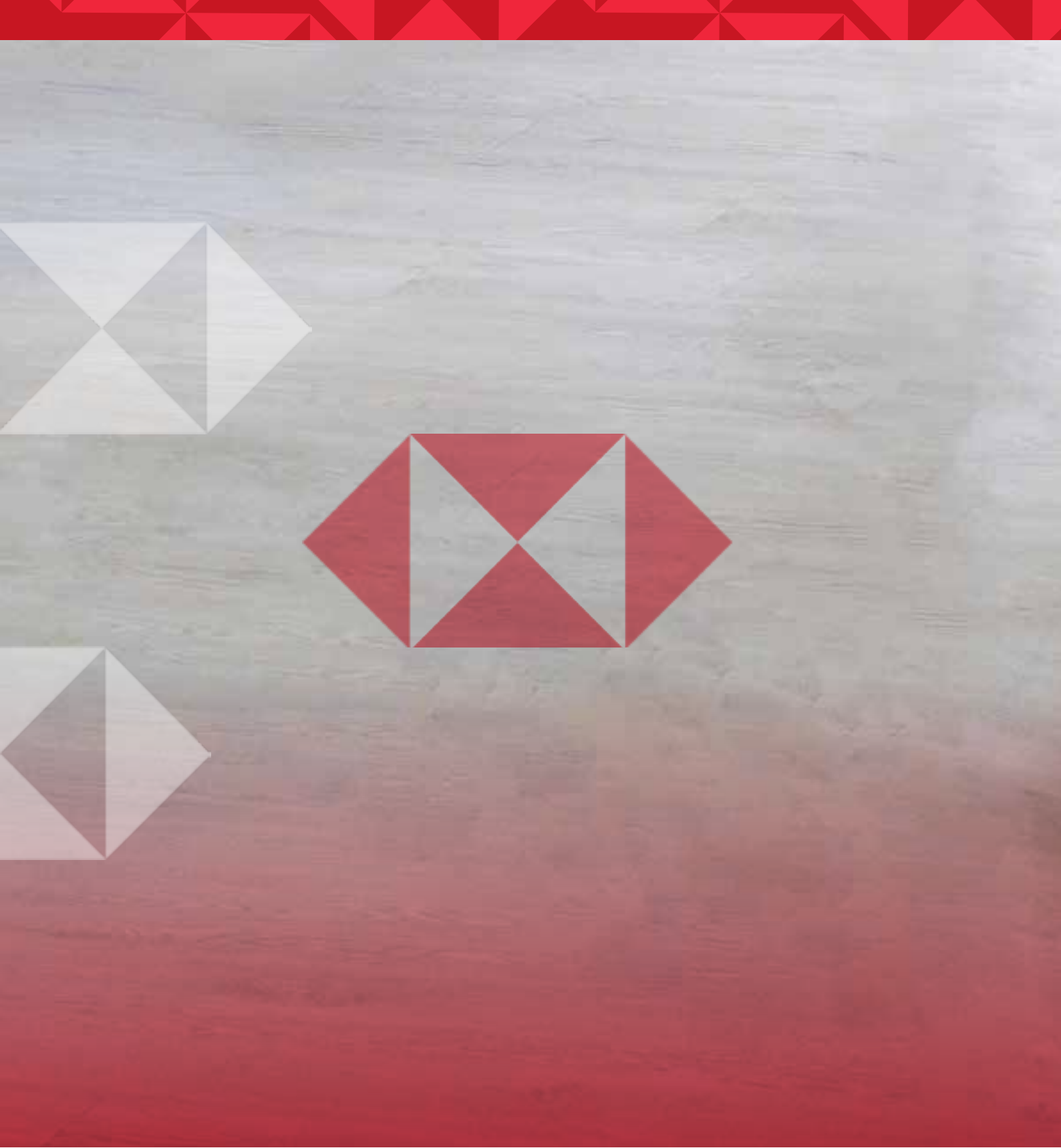


HSBC BCC 2023 produces a superior young generation for the future

Annually, HSBC and Putera Sampoerna Foundation host the Business Case Competition (BCC), one of Indonesia's leading business competitions. This competition, which has been running for ten years, is open to students from Indonesia's leading universities and lasts several months with multiple selection stages. This time, the discussion focused on the application of the digital era in the business world. The Nirvana team from Prasetya Mulya University won the competition, followed by the Punakawan team from Gadjah Mada University in second and the Sans Corp team from SBM ITB in third place.

BaFCG National Innovation Challenge: Young generation innovation competition

PT HSBC Indonesia, together with Prestasi Junior Indonesia (PJI), held the Building a Financially Capable Generation (BaFCG) programme aimed at building a generation capable of good financial management. The 2023 BaFCG programme participants were 500 students from four high schools and vocational schools in Jakarta. The highlight of BaFCG's agenda is the National Innovation Challenge, which provided intensive experience to students aged 12–16. There were 16 teams, each consisting of eight people, taking part in this competition. The winner was the Nawasena team from SMAN 81 Jakarta, who had the opportunity to take part in the next stage of the competition, the Global FinCap Challenge 2023.



MANAGEMENT **REPORT**



Report of The Board of Commissioners	18
Report of The Board of Directors	24
Statement of The Board of Commissioners and The Board of Directors Regarding Responsibility For The 2023 Annual Report And Sustainability Report of PT Bank HSBC Indonesia	34

REPORT OF THE BOARD OF COMMISSIONERS



The Board of Commissioners has continued to assist the Board of Directors in conducting business in accordance with ESG principles. We see the Bank's strong will to sustainability in both internal and external settings.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Respected Shareholders and Stakeholders,

The global economy grew slower in 2023 as expected, encountering similar challenges as in the previous year. The world continued to face stubborn inflation, more so in some regions such as the euro area, despite moves by monetary authorities to tighten policy. The ongoing war between Russia and Ukraine was coupled with the conflict in the Middle East in the second half of the year, adding uncertainties to the global economy. Not all were dismal, though. Both the world's two largest economies booked strong growth. The US saw a higher-than-expected GDP figure, and China's GDP grew more than the official target but still struggling with the property crisis and deflationary risk.

Indonesia suffered the impact of the global economic slowdown in 2023. Exports of its leading products declined, mainly due to the fall in commodity prices globally. However, consumer spending and investment remained strong. These can be seen from the business sectors recording the strongest growth in 2023: transportation, accommodation, foods and beverages. The preparation for the general elections in February 2024 also contributed to higher consumption, due to spending by political parties. Investment continued growing as the government encouraged investors

to enter the real sector, such as mining and metals. Investment into the financial sector was also strong. Inflation was under control, as Bank Indonesia's move to tighten monetary policy took effect and the government managed to control prices.

The banking system remained resilient. The capital adequacy ratio (CAR) is still high at 27.65% on the back of low credit risk as supported by sound corporate and household repayment capacity. Liquidity was adequate, with banks investing their funds in more liquid assets. Meanwhile, lending increased by 10.38% in 2023, staying within Bank Indonesia's target range, primarily for investment and working capital loans. The lower rate of non-performing loans indicates that loan quality has improved.

Assessment of the Performance of the Board of Directors

As an international bank with nearly 140 years of experience in Indonesia, PT Bank HSBC Indonesia has continued to provide a comprehensive range of products and services to the government, businesses, and retail customers, connecting them to global opportunities. The Bank has also facilitated international clients' business in Indonesia, accounting for approximately 5% of total foreign direct investment in the country.



Martin John Haythorne
President Commissioner

REPORT OF THE BOARD OF COMMISSIONERS

The Board of Directors is well-versed in the Indonesian market, with deep understanding of Indonesia's market dynamics. The country has tremendous growth potential but also faces unique challenges, ranging from geographical contexts to market characteristics. Our knowledge, which is embedded throughout the organisation, enables us as a bank to assist clients in navigating these challenges and realising their full potential. The Board of Directors also assists our customers in transitioning to net zero as part of the Bank's sustainability strategy.

In 2023, the Bank saw net profit reaching Rp2,448 billion or grew 28.64% from the previous year, with gross NPL improving to 3.57%. Net interest margin (NIM), return on assets (ROA) and return on equity (ROE) have risen to 3.98%, 2.40% and 13.71%, respectively. The Bank's fundamentals remain strong, as evidenced by a capital adequacy ratio (CAR) of 25.75% as of December 2023.

These figures demonstrated that the Board of Directors have successfully managed the Bank to overcome challenges in 2023 and recorded impressive performance with solid fundamentals for the Bank to continue growing in the future. The Board of Commissioners believes the performance was excellent, and the fundamentals exist for the Bank to continue growing in the future.

Supervision of Strategy Formulation and Implementation by the Board of Directors

The Board of Commissioners communicated with the Board of Directors on a regular basis throughout the year to ensure that the strategy was well-implemented and met expectations. The Bank's operations were overseen by the Audit Committee, the Risk Oversight Committee, and the Remuneration and Nomination Committee under the Board of Commissioners, in accordance with their respective duties.

We believe the Bank's short- and medium-term business plan accurately reflects current economic and political conditions, allowing it to pursue its targets while assessing its risk profile. The Board of Commissioners ensured that the Bank could continue to grow while maintaining its fundamentals.

Frequency and Method of Advice to the Board of Directors

To stay up-to-date on the Bank's operations and targets, the Board of Commissioners held formal meetings with the Board of Directors and communicated through other channels. In 2023, the Board of Commissioners and Board of Directors held 6 joint meetings.

View on Business Outlook

Global economic growth is expected to remain steady in 2024, with a growth rate of 3.1%, the same as in 2023. Economic activity was quite resilient in the second half of 2023, and this is expected to continue into 2024. The world's two largest economies, the United States and China, may slow down. However, the eurozone may recover after a difficult year in 2023. Inflation is expected to slow further, but geopolitical tensions in the Middle East pose a risk of commodity and supply disruptions.

Indonesia's economic growth is expected to accelerate in 2024, aided by rising domestic demand and investment. Exports may continue to be weak as global commodity prices remain low. The government aims for 5.2% GDP growth as it accelerates the completion of strategic projects in the final year of President Joko Widodo's administration. Preparations for the 2024 general elections in February have also boosted the economy. Authorities have called for peaceful elections, though tensions between candidates remain, albeit in limited form.

Bank Indonesia expects a slight increase in loan growth to between 10% and 12% by 2024. In 2023, the loan growth rate reached 10.38%. The banking system has remained stable, with high capital and a manageable risk profile. The stress test performed by Bank Indonesia demonstrates that the banking sector is prepared to deal with future uncertainties. The rise in stock markets in early 2024 indicates that investors will continue to find Indonesian assets attractive.

We are optimistic that PT Bank HSBC Indonesia will grow further in 2024, but the Bank should be wary of potential risks given that the world remains uncertain in the future. We believe that the Bank is in capable hands, in recognition of the management and staff's extensive experience and knowledge.

Sustainability

PT Bank HSBC Indonesia is here to build a long-term business, and we believe that our performance on environmental, social, and governance (ESG) issues is crucial to our future success. In recent years, the Bank has connected investors with green opportunities and assisted local businesses in implementing international sustainability standards.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

In 2020, the Bank announced a plan to prioritise financing and investment that will support the transition to a net-zero global economy, divided into three parts: providing sustainable finance, climate solutions and innovation, and becoming a net-zero bank.

The Board of Commissioners has continued to assist the Board of Directors in conducting business in accordance with ESG principles. We see the Bank's strong will to sustainability in both internal and external settings.

View on Corporate Governance

PT Bank HSBC Indonesia utilises corporate governance in its operations and strives to improve governance throughout the organisation in accordance with the

most recent regulations and best practices. The Board of Commissioners oversees the Bank's governance implementation. In 2023, the Bank's self-assessment of integrated governance was rated 2 (good).

Performance of the Committees under the Board of Commissioners

The Board of Commissioners has three committees: the Audit Committee, the Risk Oversight Committee, and the Remuneration and Nomination Committee. All committees were committed to their duties and responsibilities to ensure the smooth operations of the Bank. In 2023, the Audit Committee held 6 meetings, the Risk Oversight Committee held 4 meetings, and the Remuneration and Nomination Committee held 6 meetings.



Composition of the Board of Commissioners

The composition of the Board of Commissioners remains unchanged in 2023, below is the composition as of 31 December 2023:

Name	Designation	Profile Summary
Martin John Haythorne	President Commissioner	Martin has many years of experience in the banking sector. He began his career at Midland Bank in the UK in 1982 and has been with the HSBC Group since its acquisition. He was appointed President Commissioner on August 20, 2021, and has been serving since February 9, 2022. Martin is 60 years old and a British citizen.
Umar Juoro	Independent Commissioner	Umar has extensive experience in both the private and public sectors. He was appointed Independent Commissioner on September 18, 2017 and has been serving since May 18, 2018. Umar is 64 years old and an Indonesian citizen.
Catherinawati Hadiman Sugianto	Independent Commissioner	Catherinawati has been in the banking industry for over three decades. She was appointed Independent Commissioner on June 30, 2020, and has been serving since October 7, 2020. Catherinawati is 59 years old and an Indonesian citizen.
Rita Mas'Oen	Independent Commissioner	Rita has extensive experience in the banking industry. She was appointed Independent Commissioner on June 24, 2022, and has been serving since October 6, 2022. Rita is 62 years old and an Indonesian citizen.
Mark Trevor Surgenor	Commissioner	Mark is a seasoned banker with extensive international experience. He was appointed Commissioner on October 8, 2020, and has been serving since March 23, 2021. Mark is 51 years old and a British citizen.
Philip David Fellowes	Commissioner	Phillip has held various positions within the HSBC Group. He was appointed Commissioner on April 1, 2022, and has been serving since July 20, 2022. Philip is 42 years old and a British citizen.

BOARD OF **COMMISSIONERS**

Key Highlights
2023

**Management
Report**

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



Appreciation

The Board of Commissioners thanked the Board of Directors and all staff at PT Bank HSBC Indonesia for their efforts in 2023 to ensure the Bank's continued growth. We would also like to thank our clients, shareholders, and stakeholders for their continued support. It is our responsibility to ensure that the Bank performs better in the coming years.



Martin John Haythorne

President Commissioner

REPORT OF THE BOARD OF DIRECTORS



Some strategic actions we took in 2023 included, among other things, adapting the best solution for clients to capture opportunities, leveraging our digital capabilities and international network, increasing market share for the Bank's competitive strengths, and assisting clients in transitioning away from carbon-intensive activities.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Respected Shareholders and Stakeholders,

Indonesia's economy continued to recover in 2023 albeit at a slower pace than the previous year, given the prolonged global uncertainty. Domestically, economic activities continued to improve, as demand increased and previously delayed projects were accelerated. But exports declined, triggered by lower international commodity prices impacted by the global economic slowdown. Nevertheless, with our strong and healthy portfolio, the Bank continued to perform well. The Bank's bottom line has improved, and our fundamentals remain strong.

Economic and Banking Condition

Global economic growth further slowed in 2023 mainly as a result of heightened geopolitical tensions, interest rate rises, and China's slower-than-expected economic recovery. Although the reopening of China and the progress in taming inflation provided a spark in early 2023, other notable issues held back growth. Some countries still felt the long-term consequences of the pandemic; and the conflict in the Middle East added uncertainties to the global economy, which still grappled with the Russia-Ukraine war. Inflation was more controlled, but core inflation persisted in some areas.

Global growth is estimated to fall to 3.1% in 2023, from 3.5% the previous year. Despite tight monetary conditions to control inflation, higher private and government spending boosted the global economy. Developed economies experienced slower growth, with the eurozone contracting in 2023 as the high cost of living hit harder than expected, combined with weak global trade.

However, the US outperformed expectations in terms of growth. Meanwhile, growth in developing economies has remained stable. China's GDP is projected to increase to 5.2% in 2023, slightly exceeding the official target, but the country is grappling with a deepening property crisis and persistent deflationary pressures.

Headline inflation declined steadily from its peak of 8.7% in 2022 to 6.6% in 2023 on the back of tighter monetary policy aided by lower global commodity prices. Core inflation also fell, albeit more gradually. Central banks' efforts to tighten monetary policy have begun to bear fruit, but commodity price volatility remains a risk to inflation as tensions in Ukraine and the Middle East escalate.

Indonesia, Southeast Asia's largest economy, has managed to post decent growth, with GDP rising 5.05% in 2023, fuelled by strong consumption and investment. Foreign direct investment surged into the country, particularly in the metal and equipment sectors, as the government worked to create a business-friendly environment by simplifying regulations and lowering bureaucratic barriers. Inflation was under control. Political parties' spending ahead of the February 2024 general elections boosted consumption as well.

The financial system remained stable, with the Jakarta Composite Index rising 6.16% in 2023 and the banking sector experiencing strong loan growth. As of December 29, 2023, the Rupiah slightly appreciated to Rp15,439 per US dollar. Banks continued to strengthen their fundamentals by raising capital through rights issues



Francois de Maricourt
President Director

BOARD OF **DIRECTORS**



Carlos, Isidro Quilis
Director



Dio Alexander Samsoeri
Director



Francois de Maricourt
President Director



Riko Adythia
Director

Key Highlights
2023

**Management
Report**

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



Nisha Asha Bhambhani
Compliance Director

James Rex Elwes
Director

Yardley
Director

Lanny Hendra
Director

REPORT OF THE BOARD OF DIRECTORS

or direct injections. Digitalisation in the banking system has continued to accelerate, with many banks offering digital services and some even launching their own digital banks.

Bank Performance in 2023

The Bank has contributed to the growth of the Indonesian economy for nearly 140 years. With our extensive footprint in the country, we help to connect international customers to Indonesia and Indonesian clients to the rest of the world. The Bank has provided a variety of products and services to the government, businesses, and retailers.

In 2023, The Bank managed to increase its net interest margin (NIM) to 3.98% and return on assets (ROA) to 2.40%. Our bottom line improved, rising 28.64% to Rp2,448 billion. These figures were achieved while maintaining our fundamentals. The capital adequacy ratio (CAR) remained strong at 25.75% and was far above the minimum requirement.

The Bank continuously implement prudent lending policy to ensure a healthy loan quality, as indicated by the ratio of gross non-performing loans improved from 3.95% to 3.57%. In addition to implementing prudent lending policy, tight competition of credit interest rates and weakening credit demand due to relatively high level of customer liquidity have contributed to less optimal lending thus lower loan to customer balance by 3.38% reaching IDR54,456 billion.

On the other hand, the third party fund decreased by 4.29% reaching IDR86,319 billion and CASA ratio remained at a healthy rate of 61%.

Internally, we continued to digitise our system in order to become a “digital-first bank” and create an environment that benefits both the Bank and its clients. We believe Indonesia has enormous digital potential, as evidenced by the widespread adoption of digital finance in recent years. The Bank has also continued to play a role in sustainability by assisting our customers in their transition to net zero and a sustainable future.

Targets vs Achievements

Area	Target	Achievement
Loan Growth	11.20%	-3.38%
Third Party Fund Growth	-1.91%	-4.29%
ROA	2.01%	2.40%
ROE	11.57%	13.71%
NIM	3.95%	3.98%
CAR	21.79%	25.75%
BOPO	79.56%	79.89%

Strategy and Strategic Policy

HSBC Group has been in Indonesia for nearly 140 years and with our confidence in the country's potentials, we have continued to expand and become a locally-incorporated entity since 2017, whilst other international banks have reduced their presence in the country. We believe in long-term sustainable growth, supported by 2,700 employees in 18 cities across the archipelago.

The Bank is doing business by adopting the core strategy of the HSBC Group and focuses on four key pillars: 1) Focus on our strengths; 2) Digitise at scale; 3) Energise for growth; and 4) Transition to net zero.

Some strategic actions we took in 2023 included, among other things, adapting the best solution for clients to capture opportunities, leveraging our digital capabilities and international network, increasing market share for the Bank's competitive strengths, and assisting clients in transitioning away from carbon-intensive activities.

The Bank's goal in Indonesia is to be the preferred international financial partner, leveraging our deep knowledge on both the international and local levels, assisting customers in unlocking opportunities, and overcoming challenges related to geographical and cultural contexts, as well as market characteristics. We will also remain focused on environmental, social, and governance (ESG) issues. Our sustainability strategy centres on three key areas: Transition to Net Zero, Building Inclusion and Resilience, and Acting Responsibly.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Role of the Board of Directors in Strategy Formulation and Implementation

The Bank's Board of Directors meets on a regular basis to develop its short, medium, and long-term strategy, which is supported by strong data and current situation analyses. Our team evaluates market conditions and internal capabilities to ensure that the Bank's business plan accurately reflects our objectives and targets. The Board of Directors will ensure that the business plan is carried out properly by staff, using Key Performance Indicators to assess their performance throughout the year.

In 2023, the Board of Directors convened 12 meetings to discuss the business plan and external developments. We received regular reports from executives on the Bank's progress towards meeting our objectives. We communicated with the Board of Commissioners to ensure that the Bank operated as planned and within the framework of good governance.

Challenges

Despite the end of the pandemic, 2023 remained challenging due to rising geopolitical tensions and tightening global liquidity. Central banks around the world tightened monetary policy to combat inflation, causing capital outflows from emerging countries and putting pressure on emerging market currencies. The Middle East conflict added uncertainty to the world that was still dealing with the aftermath of the Russia-Ukraine war. Another source of concern was China's real estate crisis, which threatened to complicate matters. In terms of growth, emerging economies remained stable in 2023, while developing economies contracted.

Indonesia was one of the countries with a relatively resilient economy in 2023, driven by strong domestic demand and increased investment in strategic projects. Inflation was under control, falling to 2.61% from 5.51% in 2022 as a result of tighter monetary policy by Bank

Indonesia and the government's management of volatile food prices. The Rupiah was under pressure but ended the year slightly stronger. Although Indonesian exports were lower than the previous year, the balance of payments remained in surplus. The country attracted a lot of investment, particularly from the metals industry. The government has encouraged investment in the electric vehicle supply chain, from raw material refinement to vehicle manufacturing.

Towards the end of the year, Indonesia was preparing for the general elections in February 2024. There were noises, but they seemed to be limited to the elites. As President Joko Widodo's term comes to an end, the government and authorities have expressed their desire for peaceful elections.

Organisational Structure

The Bank has a well-defined organisational structure, with the Board of Directors in 2023 consisting of one president director and seven directors. The structure has enabled the Bank to consistently carry out the business plan in accordance with its vision, mission, and values. We assign the right people to each division to help us achieve our short, medium, and long-term objectives in a sustainable manner. The Bank's workforce consists of talented and skilled individuals who can positively impact customers and communities. The Company Profile chapter contains details about the organisational structure.

Key Activities and Products and Services

The Bank's primary business is to accept funds from the public and provide loans to customers or other banks, as well as to engage in other related activities such as debt paper issuance, money transfer, custodianship, and foreign exchange services. Our products and services are divided into Wealth & Personal Banking, Wholesale Banking, and Markets & Securities Services. More information can be found under the Company Profile section.

Lending and Funding Rates

Prime Lending Rate by Segment					Funding Rate in Rupiah
Corporate Credit	Retail Credit	Micro Credit	Consumer Credit		
			Mortgage	Non-Mortgage	
6.75	8.75	-	8.00	-	-

REPORT OF THE BOARD OF DIRECTORS

Network and Business Partners

HSBC Group is one of the world's largest banks and financial services providers. Our global businesses serve around 42 million customers worldwide through a network that covers 62 countries and territories.

With our international network, the Bank is able to combine international knowledge and local expertise to deliver superior products and services to Indonesian clients. In 2023, the Bank had 34 branches in 18 cities across Indonesia, with 2,700 employees. We carefully selected partners in order to provide clients with more product and service options.

Share Ownership of the Board of Directors and the Board of Commissioners, or Shareholders

As of 2023, no members of the Board of Directors and the Board of Commissioners held any of the Bank's shares, as detailed in the Company Profile and the Good Corporate Governance sections.

Sustainable Finance Action Plan

HSBC Group has established several approaches to ESG aspects. On the environmental aspect, the HSBC Group strives to achieve net zero in financed emissions by 2050, as well as in its operations and supply chain by 2030. HSBC Group also seeks to assist customers in the transition to net zero and a sustainable future by providing and facilitating sustainable finance and investment products to its customers. In addition to

achieving net zero, HSBC Group also has formed a social approach that focuses on encouraging inclusion and building resilience for partners, customers, employees and the communities it serves. Furthermore, on the governance aspect, HSBC Group focuses on acting responsibly and paying attention to topics such as human rights, code of conducts and data integrity.

The Bank also has established a Sustainable Finance Action Plan (RAKB) that supports Sustainable Development Goals (SDGs). RAKB's main objective is to provide financing that enable the transition to a low-carbon economy and to assist clients in managing risks associated with that transition. The implementation of sustainable finance is the joint responsibility of the Board of Commissioners and the Board of Directors in general. The Board of Commissioners and the Board of Directors are involved in the formulation of strategic policies and evaluations to achieve the goals of implementing sustainable finance.

Meanwhile, at the implementation stage, the Corporate Sustainability Function in collaboration with relevant businesses and functions are responsible for sustainable finance activities. Sustainable finance has also been included in the Bank's strategy in the Bank Business Plan (RBB) and Sustainable Finance Action Plan (RAKB). The Bank also seeks to engage employees and work partners in the implementation stage of sustainable finance activities.

Stakeholder Category	Needs	Approach
Clients	<ul style="list-style-type: none"> Information related to products and services Ease of access of products and services Innovation and development of products and services Data security and privacy 	<ul style="list-style-type: none"> Branch office Internet Banking and Mobile Banking Call Center Website Social media Customer experience survey Gathering event with customers
Shareholders	<ul style="list-style-type: none"> Financial and operational performance Implementation of Bank strategy Corporate actions and strategies Latest company information 	<ul style="list-style-type: none"> Annual General Meeting of Shareholders (AGMS) and Extraordinary General Meeting of Shareholders (EGMS) Annual Report, including Financial Statement, the Board of Directors report and Supervisory Duties of the Board of Commissioners Report Report of the Sustainable Finance Action Plan
Government and Regulators	<ul style="list-style-type: none"> Compliance with applicable laws and regulations Implementation of the prudential principle Implementation of good corporate governance Sustainability performance 	<ul style="list-style-type: none"> Active consultation in socialisation events organised by the government Dialogue and discussion Formal meetings
Communities	<ul style="list-style-type: none"> Information openness and transparency Corporate social responsibility and financial literacy 	<ul style="list-style-type: none"> Social responsibility and financial literacy programs Social media

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Stakeholder Category	Needs	Approach
Business Partners	<ul style="list-style-type: none"> • Implementation of a fair and transparent cooperation in the procurement of goods and services 	<ul style="list-style-type: none"> • Formal meetings
Employees	<ul style="list-style-type: none"> • Fulfilment of employee rights and obligations • Welfare and facilities • Career development • Competency development 	<ul style="list-style-type: none"> • Regular meetings such as townhall • Training • Socialisation • HR Info via email • Togetherness events

Risk Management

In order to implement sustainable finance, the Bank identified, measured, monitored, and managed the risks associated with it, particularly those related to economic, social, and environmental factors. The Bank, among other things, refers to the Financial Services Authority (OJK) Regulation Number 18/POJK.03/2016 and OJK Circular Letter Number 34/SEOJK.03/2016 concerning the implementation of risk management for commercial banks, as well as the Basel Committee on Banking Supervision's recommendations. According to the regulations, the Bank has implemented a risk management policy to ensure that emerging risks in business activities are identified, measured, managed, and reported. The risk management process carried out by the Risk Management Work Unit independently from the Operational Work Unit. Throughout 2023, the bank has focused in managing Financial Risk and Non-Financial Risk, and continuously strengthening its risk culture.

In relation to the sustainable risk policy, the Bank has implemented HSBC sustainable risk policies, which include agricultural commodities, chemicals, energy, forestry, mining and metals, thermal coal, UNESCO World Heritage, and the Ramsar Convention on Wetlands. The Bank has also adopted the Equator Principles when funding projects. The policies determine our risk appetite, and we aim to urge customers to meet good international best practices in line with the HSBC approach on climate risk and zero emission ambition.

Sustainable Finance Achievements in 2023

The Bank continued to expand the horizons of sustainable finance through our products, services, and partnerships in 2023 to help enable emissions reduction in the real economy.

Throughout the year, the Bank channeled green loans to several companies, including green loan worth

USD20 million to PT Indo-Rama Synthetics Tbk. The financing aimed to reduce energy consumption through the installation of new machines with more efficient technology and energy use in the expansion of the spun yarn factory, as well as increasing ESG achievements of the Indorama Group.

External Conditions and Challenges to Achieving Sustainable Finance

The Bank is aware that many stakeholders are still in the process of adapting to the implementation of sustainable finance principles. Therefore, we continue to actively educate customers, business partners, and communities regarding our sustainability approach. The Bank has also increased cooperation with the government and regulators to conduct financial literacy programmes.

Currently, the Bank is one of the banking institutions involved in the Indonesian Sustainable Finance Initiative (IKBI). The Bank believes that the IKBI platform can leverage private finance to reduce risks associated with environmental, social, and governance issues to jointly support the world transitioning to a low-carbon economy. We strongly believe that the financial sector needs scientific reports to be able to implement sustainable actions accurately.

Material Changes at the Bank

There were no material changes at the Bank in 2023.

Important Future Developments

HSBC has a long-term presence in Indonesia. We want to conduct business in a sustainable manner, from lending prudently to continuously improving our organisation to achieve higher levels of performance. This includes increasing women's representation in managerial roles, improving customer satisfaction, and maintaining high ethical standards worldwide. In terms of ESG, we continue to prioritise financing and investment that contribute to the transition to a net-zero global economy.

REPORT OF THE BOARD OF DIRECTORS

Business Outlook, Economic Development, and Target Market

The global economy is expected to grow at the same rate in 2024, with inflation steadily declining. The US and China may experience slower growth, but the eurozone may recover after a challenging 2023. Inflation is expected to fall to 5.8% by 2024, but policymakers must continue to manage inflation while gradually normalising policy.

The Indonesian government aims for the economy to grow 5.2% in 2024, as domestic consumption is expected to remain strong and investment in strategic national projects will likely continue. The general elections in February should also help support consumption, as happened previously. Exports are predicted to remain weak as the global economy still stutters and commodity prices decline.

Bank lending is expected to grow slightly in 2024, in a range of between 10% and 12%, after growing 10.38% in 2023. The fundamentals of the banking sector are resilient, as seen from the high capital adequacy ratio. Loan quality is also healthy. Bank Indonesia seems to have reached the peak of monetary policy tightening. The central bank stated that it will continue to work with the central and local governments to protect macroeconomic stability and promote economic growth.

Human Resources and Information Technology

The Bank continues to invest in training and development to ensure that we have the best human resources. We encourage employees to improve their skills and capabilities in order to be future-ready and contribute to the development of an agile and effective organisation. We also continue to foster an inclusive workplace in which everyone has an equal opportunity to grow.

Our information technology system is continuing to be upgraded in line with our objective to become a “digital-first bank.” We continuously work to create and deliver digital customer experiences, partner with technology innovators to enable new customer benefits, ensure the Bank is resilient and secure, execute with speed, and automate at scale.

Corporate Governance

PT Bank HSBC Indonesia consistently adheres to the principles of good corporate governance (GCG) and demonstrates GCG in all lines of business activities at the organisational level. We strictly adhere to all applicable rules and regulations with the goal of improving performance and service to stakeholders. We also recognise the need to improve the implementation of integrated governance, which will be optimised in accordance with the Integrated Governance Guidelines, Corporate Charter, and corporate governance implementation regulations.

The Bank periodically self-assessed its 11 GCG Implementation Evaluation Aspects. The assessments are grouped into a governance system with three components: governance structure, governance process, and governance outcome. Our self-assessment rating for 2023 was rated as 2 (Good).

Performance of the Committees under the Board of Directors

The Board of Directors is assisted by five committees in performing its duties and responsibilities, namely the Credit Committee, the Assets and Liabilities Committee, the Risk Management Committee, the Information Technology Steering Committee, and the People Committee.

In 2023, the Board of Directors determined that all committees had carried out their duties and responsibilities properly to ensure that the Bank could perform as planned, taking into account all aspects of capital, risks, liquidity, profitability, and so on.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Changes in the Composition of the Board of Directors

The composition of the Board of Directors of PT Bank HSBC Indonesia experienced changes during the year. On 31 May 2023, the Bank received Stephen Whilton Angell's resignation. In turn, Carlos, Isidro Quilis was appointed as the new effective Director as of 1 June 2023. We wish Stephen Whilton Angell the best of luck and are grateful for his contributions as a director at PT Bank HSBC Indonesia.

Composition of the Board of Directors as of 31 December 2023 was:

Designation	Name
President Director	Francois de Maricourt
Director	Dio Alexander Samsoeri
Director	Riko Adythia
Director	James Rex Elwes
Compliance Director	Nisha Asha Bhambhani
Director	Yardley
Director	Lanny Hendra
Director	Carlos, Isidro Quilis

Appreciation

The Board of Directors would like to express our gratitude and appreciation to all individuals at the Bank for their performance in 2023, which will allow us to grow even further. We also extend our appreciation to the Board of Commissioners for their advice and recommendations, as well as to shareholders and other stakeholders for their trust and support.

We believe we have grown further through 2023, with stronger fundamentals, and we hope to expand further in the future in accordance with our vision, mission, and values.



Francois de Maricourt
President Director

STATEMENT OF THE BOARD OF COMMISSIONERS REGARDING RESPONSIBILITY FOR THE 2023 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 2023 has been presented in its entirety and that we assume full responsibility for the accuracy of the contents of the Bank's Annual Report and Sustainability Report.

The statement is duly made in all integrity.

Jakarta, April 2024

Board of Commissioners



Martin John Haythorne
President Commissioner



Mark Trevor Surgenor
Commissioner



Philip David Fellowes
Commissioner



Catherinawati Hadiman Sugianto
Independent Commissioner



Umar Juoro
Independent Commissioner



Rita Mas'Oen
Independent Commissioner

STATEMENT OF THE BOARD OF DIRECTORS REGARDING RESPONSIBILITY FOR THE 2023 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 2023 has been presented in its entirety and that we assume full responsibility for the accuracy of the contents of the Bank's Annual Report and Sustainability Report.

The statement is duly made in all integrity.

Jakarta, April 2024

Board of Directors



Francois de Maricourt
President Director



Riko Adythia
Director



Dio Alexander Samsoeri
Director



Nisha Asha Bhambhani
Compliance Director



Yardley
Director



Lanny Hendra
Director



Carlos, Isidro Quilis
Director



COMPANY **PROFILE**



COMPANY PROFILE

About HSBC Group

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

HSBC serves more than 39 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. HSBC's network includes 62 countries throughout Europe, Asia, Middle East and North Africa, North America and Latin America. HSBC is committed to conducting its business in a responsible, sustainable and ethical way, providing fair value to customers and strengthening our communities.

HSBC Group highlights:

- HSBC was founded in Hong Kong on 3 March 1865.
- HSBC operates in 62 countries and territories.
- HSBC serves around 42 million customers worldwide
- HSBC employs 221,000 people around the world.
- HSBC Group reported profits before tax in 2023 of USD30.3 billion

Through its global networks, HSBC also facilitates a number of Indonesian companies to connect with global opportunities. Key deals in 2023 include:

- PT Bank HSBC Indonesia acted as the Joint Bookrunner, Joint Lead Manager and B&D Bank for Republic of Indonesia's (the "ROI" or the "Sovereign") USD SEC-Registered Senior Unsecured Fixed Rate Notes (the "Notes") with total issuance of USD3 billion, comprising of three USD tranches of USD1 billion 5-year notes, USD1.25 billion 10-year notes and USD750 million 30-year notes. The deal was notably as market reopener as the issuance marks the first from an Emerging Asian sovereign in the 2023, created robust demand for the Sovereign's paper in full showcase, as evidenced by a remarkable peak orderbook of more than USD17 billion, on the back of investor continued confidence in the Sovereign as well as fervent investor liquidity in the market.

- PT Bank HSBC Indonesia acted as the Joint Lead Manager and Joint Bookrunner for PT Pertamina Geothermal Energy, Tbk.'s ("PGE") 5-year USD400 million Senior Unsecured 144A/Reg S Fixed Rate Green Notes (the "Notes") with a yield of 5.15%. The transaction marked PGE's debut transaction in the global fixed income market, as well as the first green issuance under its Green Financing Framework. It was also the inaugural ESG-labelled issuance from Indonesia, which also marked the first sovereign-linked corporate issuance in over a year, garnered significant global interest with 8.25x oversubscription rate.
- HSBC acted as the Joint Bookrunner and Joint Lead Manager for PT Bank Mandiri (Persero) Tbk's ("Bank Mandiri") 3-year USD300 million RegS only Notes (the "Notes"). The deal marked the fourth drawdown of its existing and upsized USD 4 billion Euro Medium Term Note Program. It was notably the first issuance from the banking sector in Asia Pacific after the recent turmoil in the industry.
- HSBC acted as a Joint Bookrunner and International Selling Agent for the USD610 million initial public offering (IPO) by Merdeka Battery Materials Tbk (MBM), on the Indonesian Stock Exchange (IDX). This landmark transaction represents HSBC's second Indonesia IPO of the three IPOs out of the country in 2023, as well as the second-largest ASEAN Metals and Mining IPO in the last five years.
- HSBC acted as Joint Bookrunner and International Selling Agent for the USD608 million initial public offering (IPO) by Pertamina Geothermal Energy Tbk (PGE), on the Indonesian Stock Exchange (IDX). This landmark transaction was the second-largest SOE IPO in Indonesia and the largest ASEAN Utility and Energy IPO in the last five years.

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

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



About the Bank

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

Due to turmoil in the Indonesian market, HSBC was forced to cease its activities during the Second World War and reopen when the war ended. After the closure of its business in the mid-1960s, HSBC reobtained a new banking licence in 1968. HSBC 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 of enhancing HSBC's commercial banking business in Indonesia, expanding its retail presence in the banking sector, and doubling HSBC's

network in the archipelago. PT Bank Ekonomi Raharja changed its name to PT Bank HSBC Indonesia in October 2016.

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

The Bank currently serves customers through more than 34 offices in 18 cities in Indonesia. With support from 2,700 employees, the Bank provides banking services for Wealth and Personal Banking, Wholesale Banking and Market and Securities Services. The Bank's effort to 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.

Key Highlights
2023

Management
Report

**Company
Profile**

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

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.

CORE VALUES

01

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.

02

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.

03

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.

04

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.



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.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

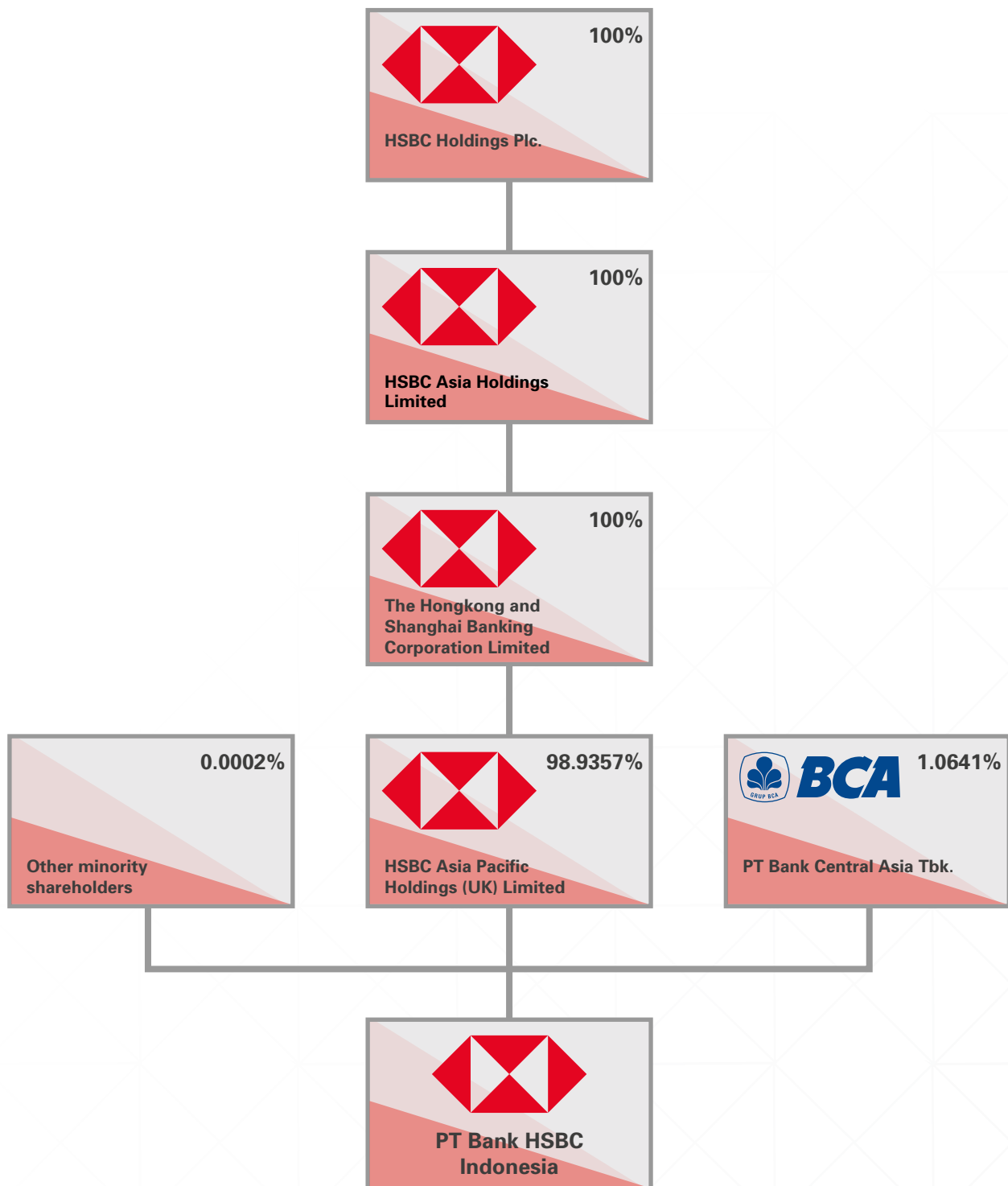
Corporate
Data

Sustainability
Report

Financial
Statements

SHAREHOLDING STRUCTURE

The shareholding structure of the Bank as of 31 December 2023:



SHARE OWNERSHIP

The composition of shareholders as of 31 December 2023 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%

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

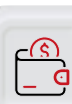
Corporate
Data

Sustainability
Report

Financial
Statements

PRODUCTS AND SERVICES

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



Deposits

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



Wealth Management

Investment

- Mutual Funds
- Bond
- Structured Products

Insurance

- Care Invest Plus
- College Care
- Future Care
- Joint Life Care
- Signature Wealth Assurance
- Ultima Wealth Assurance
- Optima Protection Assurance PASTI
- Prime Life Assurance
- Protection PINTAR Assurance

Wealth Management

- Growing Wealth Planning
- Children's Education Planning
- Retirement Planning
- Protection Planning



Credit Card

- HSBC Visa Signature
- HSBC Visa Platinum
- HSBC Platinum Cash Back
- HSBC Gold Card
- HSBC Premier Mastercard
- HSBC Visa Corporate Card



Loan

- Working Capital Loan
- Investment Loan
- Housing Loan
- Personal Installment Loan
- Term Loan
- Revolving Loan
- Flexi Credit
- HSBC Personal Overdraft
- Smart Money
- Investment Link
- Syndicated Loan
- Project Export Financing



Global Market

- 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



Securities Services

- Accounting and valuation services
- Transfer agency
- Custodian services

Business Activities

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

The following are the Bank's business activities:

- Accepting funds from the public
- Providing loans
- Issuing debt paper
- Purchasing, selling, or guaranteeing on own-risk or for the interest of and upon orders of customers
- Money transfer for own account or customers' interest
- Placing funds to, borrowing fund from, or lending fund to other bank(s)
- Receiving payment from securities billing
- Providing custodial service
- Implementing factoring, credit card business, and trustee activities
- Performing activities in foreign exchange
- Performing share investment activities
- Conducting other activities that are generally carried out by banks, as long it does not contradict with any pertaining laws and regulations.



Global Payment Solution (GPS)

Channel

- HSBCnet
- HSBCnet Mobile
- HSBCConnect & Treasury API

Payment

- In-house Transfer
- National clearing system (SKN)
- Real time gross settlement (RTGS)
- Telegraphic transfer
- Autopay
- Utility pay
- Tax payment

Collection

- Digital Account Receivable Tools (DART)
- Omni Collect
- Virtual account
- Receivable Management Solution (RMS)
- Cheque collection
- Cash withdrawal/delivery
- Cash deposit/collection
- Post-dated cheque warehousing
- Direct debit

Liquidity

- Interest Enhancement
- Cash concentration
- 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
- Social Trade Loan



Transaction Services

PIB & Mobile Banking

- In-House Transfer
- Online Realtime Transfer
- Global View/Mobile Banking
- Global Transfer
- SKN (Clearing)
- RTGS/Realtime Gross Settlement
- TT-Telegraphic Transfer
- Bill Payment
- Mutual Fund Transaction
- IPO Bond Trading/Secondary Market Bond Trading
- Autopay



Other Services

- ATM
- Acceptance for domestic/ local transactions via GPN, Prima and ATM Bersama
- Acceptance for Overseas transactions via GATS, Visa/ PLUS & MasterCard
- On Us features:
 - Cash Withdrawal
 - Transfer to PT Bank HSBC Indonesia Account and to Other Banks
 - Balance Inquiry
 - Bill Payment
- Satellite Branch

PROFILE OF THE BOARD OF COMMISSIONERS

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



Martin John Haythorne
President Commissioner

British citizen. 60 years old. His appointment as President Commissioner was conducted in an Extraordinary General Meeting of Shareholders (EGMS) resolution on 20 August 2021, and he 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 1982 and, following the acquisition by the HSBC Group, has worked for the HSBC Group since. Within HSBC Group, his prior roles include (i) at HSBC Bank Plc: Managing Director & Head of Client Management and Managing Director & Global Head of Credit and Lending, and (ii) at The Hongkong and Shanghai Banking Corporation Limited (HSBC): 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.



Mark Trevor Surgenor
Commissioner

British citizen, 51 years old. Appointed as Commissioner of PT Bank HSBC Indonesia based on the 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 in Marketing from Sheffield Hallam University Business School (UK) and his Master of Science International in Marketing from Sheffield Hallam University Business School (UK).

Appointments in HSBC include: 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 & Latin America; Board Member, HSBC Asset Management Mexico SA; Regional Head of Wealth Products of Europe, HSBC UK (based in France).

Appointments at Lloyds Bank include: Global Head of Products & Marketing at Lloyds International; and Head of Marketing & Share Dealing at Lloyds Wealth (UK).



Philip David Fellowes Commissioner

British citizen, 42 years old. Appointed as Commissioner of PT Bank HSBC Indonesia based on the Annual General Meeting of Shareholders (AGMS) resolution on 1 April 2022, and has effectively served since 20 July 2022.

He obtained his Master of Business Administration from Columbia University (United States), London Business School (United Kingdom), and the University of Hong Kong (Hong Kong).

Appointments in HSBC include: Chief of Staff Asia Pacific reporting to Co-Chief Executives of The Hong Kong and Shanghai Banking Corporation Limited, based in Hong Kong; Member of the Executive Committee; Chairman of Asia International Markets Management Committee; Director of HSBC Bank Australia Limited; Chairman of the Members Council of HSBC Bank (Vietnam) Limited; and Chairman of HSBC Bank (Mauritius). Within HSBC Group, his prior roles include (i) Regional Head of Global Liquidity & Cash Management Europe, based in London, and (ii) Head of Strategy Global Banking & Markets, reporting to the Global CEO.

Prior to joining HSBC, he was with the management consultancy Oliver Wyman.



Catherinawati Hadiman Sugianto Independent Commissioner

Indonesian citizen, 59 years old. Appointed as Independent Commissioner of PT Bank HSBC Indonesia based on the Annual General Meeting of Shareholders (AGMS) resolution on 30 June 2020 and has effectively served since 7 October 2020.

She obtained a Bachelor's degree in Accounting from Universitas Trisakti Jakarta and a Bachelor's degree in Business Administration from Universitas Atmajaya.

She started her career at the public accounting firm KPMG in 1989. In 1990, she joined PT Bank CIMB Niaga Tbk, worked for more than 22 years there, and pursued various career fields: Consumer Banking, Treasury Commercial, and Corporate Banking. Her latest 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 2017 and as Independent Commissioner at PT Bank Tabungan Negara Tbk.

REPORT OF THE **BOARD OF COMMISSIONERS**



Umar Juoro Independent Commissioner

Indonesian citizen, 64 years old. His appointment as Independent Commissioner was conducted in the Extraordinary General Meeting of Shareholders (EGMS) on 18 September 2017, and he has effectively served since 18 May 2018.

He obtained a Bachelor's degree in Physics from Institut Teknologi Bandung (ITB) in 1985 before continuing his study and obtaining a Master of Arts in Economics from the University of the Philippines and a Master of Arts in Political Economy from Boston University, USA. He continued his study of International Economics in Kiel, Germany.

Prior to serving as Independent Commissioner of PT Bank HSBC Indonesia, he held numerous positions: Independent Commissioner of PT Bank Maybank Indonesia Tbk from 2008 to 2017, Independent Commissioner at Bank Internasional Indonesia from 2002 to 2007, Guest Researcher (Senior Adjunct Fellow) at the Asian Competitive Institute, LKY School of Public Policy, National University of Singapore from 2012 to 2015, the Board of Trustee of the Maybank Foundation (Kuala Lumpur) from 2012 to 2017, and the chairman of the Supervisory Board of Bank Indonesia (BSBI) from 2010 to 2017.

He was an adviser of Barclays Capital Singapore from 2008 to 2009, an adviser of Credit Suisse Singapore from 2000 to 2007, and an adviser of and 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.

Key Highlights
2023

Management
Report

**Company
Profile**

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



Rita Mas'Oen

Independent Commissioner

Indonesian citizen, 62 years old. Appointed as Independent Commissioner of PT Bank HSBC Indonesia based on the Annual General Meeting of Shareholders (AGMS) resolution on 24 June 2022, and has effectively served since 6 October 2022.

She obtained a Bachelor's degree in Computer Science from Arizona State University (USA).

She started her career at Honeywell Inc. of Phoenix, Arizona, USA, in 1984. In 1985, she joined Citigroup for 20 years and pursued various career fields: Consumer Banking, Corporate Banking, Transaction Banking, Quality and Operations and Information Technology. Her last position at Citigroup was Director, Senior Country Operations Officer (Operations and Technology). She also served as Director of KSEI in 1998.

Prior to serving as Independent Commissioner, she worked as Human Resources Director from 2009 to 2012 and later as Operations and Information Technology Director from 2012 to 2020 at PT Bank CIMB Niaga Tbk. She also worked as Chief Operations Officer from 2005 to 2007 and as Operations and Information Technology Managing Director from 2007 to 2009 at Bank Internasional Indonesia. She was also Commissioner and then Vice President Commissioner of PT Wahana Ottomitra Multiartha Tbk. from 2005 to 2009.

PROFILE OF THE BOARD OF DIRECTORS



Francois de Maricourt
President Director

French citizen, 52 years old. Appointed as President Director of PT Bank HSBC Indonesia based on the Extraordinary General Meeting of Shareholders (EGMS) resolution on 27 February 2020 and has effectively served since 17 August 2020.

He has a post-graduate degree (DESS) in banking and finance from the Universite Robert Schuman and an MSc (Maitrise) in economics from the Universite 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 before becoming President Director of PT Bank HSBC Indonesia was Chief Executive Officer (CEO) - HSBC Bangladesh from 2014 to 2020.



Dio Alexander Samsoeri
Finance Director

Indonesian citizen, 48 years old. Appointed as Finance Director of PT Bank HSBC Indonesia based on the Annual General Meeting of Shareholders (AGMS) resolution on 28 May 2019 and has effectively served since 19 September 2019.

He obtained his Bachelor's degree in Economics from Universitas Indonesia.

His prior roles include: Head of Internal Audit of PT Bank HSBC Indonesia; Chief Financial Officer at HSBC Brunei Darussalam; SVP Financial Controller and Chief Operating Officer Finance; VP Quality Control & Process Monitoring Personal Financial Services and several other positions within Finance at HSBC Jakarta.

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

Key Highlights
2023

Management
Report

**Company
Profile**

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



Riko Adythia

Wholesale Banking Director

Indonesian citizen, 50 years old. Appointed as Wholesale Banking Director of PT Bank HSBC Indonesia based on the 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 Universitas Padjadjaran and his 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 at Citibank Indonesia; Director/COO and Treasury Trade Solution Product Head at Citibank Indonesia; Director & Deputy Country CFO/Strategic Business Planning Head at Citibank Indonesia; VP Structured Trade Finance at Citibank New York; Cash Product Manager and several positions in Finance at Citibank Indonesia.



Nisha Asha Bhambhani

Compliance Director

Indonesian citizen, 46 years old. Appointed as Compliance Director of PT Bank HSBC Indonesia based on the Extraordinary 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 Universitas Padjadjaran.

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, and AVP Compliance at HSBC Jakarta Branch; AVP Legal at Standard Chartered Bank Indonesia; Legal Manager at HSBC Jakarta Branch; and Senior Associate Lawyer of DNC Advocates Indonesia.

REPORT OF THE **BOARD OF DIRECTORS**

Key Highlights
2023

Management
Report

**Company
Profile**

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



James Rex Elwes

Operations and Information Technology Director

British citizen, 40 years old. Appointed as Operations and Information Technology Director of PT Bank HSBC Indonesia based on the Extraordinary General Meeting of Shareholders (EGMS) resolution on 30 December 2020 and he has effectively served since 30 April 2021.

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

He has worked for HSBC across Asia Pacific, MENAT, the UK, and North America in multiple roles, including Country COO, HSBC Qatar; COO Office, HSBC Turkey Commercial Banking; Area Director for Business Banking in the Western and Wales Region, UK and Senior Strategy Analyst, HSBC Global Commercial Banking.



Yardley

Human Resources Director

Indonesian citizen, 52 years old. Appointed as Human Resources Director of PT Bank HSBC Indonesia based on the 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 her diploma from the University of Tarumanagara.

She has over 25 years of working experience, sixteen of which are in the banking industry.

Prior to joining HSBC, she worked at Citibank for six years, where she became 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 a few other positions at PT John Clements Consultants Indonesia.



Lanny Hendra

Wealth and Personal Banking Director

Indonesian citizen, 55 years old. Appointed as Wealth and Personal Banking Director of PT Bank HSBC Indonesia based on the Extraordinary General Meeting of Shareholders (EGMS) resolution on 10 October 2022 and has effectively served since 21 February 2023.

She obtained her Bachelor's Degree in Economics from Macquarie University and started her first career at Commonwealth Bank Australia Sydney as a Graduate Trainee.

Prior to joining HSBC, her previous positions included: (i) Consumer Business Head at PT Bank Danamon Tbk, (ii) Executive officer, Head of Retail Banking at Standard Chartered Bank Indonesia, and (iii) Segment Marketing Head at Citibank Indonesia.



Carlos, Isidro Quilis

Risk Management Director

French citizen, 53 years old. Appointed as Risk Management Director of PT Bank HSBC Indonesia based on the Extraordinary General Meeting of Shareholders (EGMS) resolution on 10 October 2022 and has effectively served since 1 June 2023.

He obtained his Degree in Management School Diploma (Bachelor of Science equivalent) from the Institut Supérieur du Commerce, Paris.

He has been with HSBC for more than 23 years. He joined HSBC France in 1999 as Relationship Manager and became Team Leader. He was appointed as Senior Manager of Wholesale Credit Risk in 2007, before moving to HSBC Hong Kong in 2010 to join the Regional Wholesale Credit Risk team in a similar role. In 2014, he was promoted to Head of Wholesale Credit Risk Asia Pacific, and in 2019, he was appointed Chief Credit Officer and Head of Wholesale Credit & Market Risk for HSBC Bank Canada.

Prior to joining HSBC, his previous positions included Relationship Manager at Banque Populaire des Alpes (BPA), Account Manager at Confederation Generale des Petites et Moyennes Entreprises (CGPME), and Conscript at the Armée de Terre (French Army).

ORGANIZATION STRUCTURE

as of 31 December 2023

Key Highlights
2023

Management
Report

Company
Profile

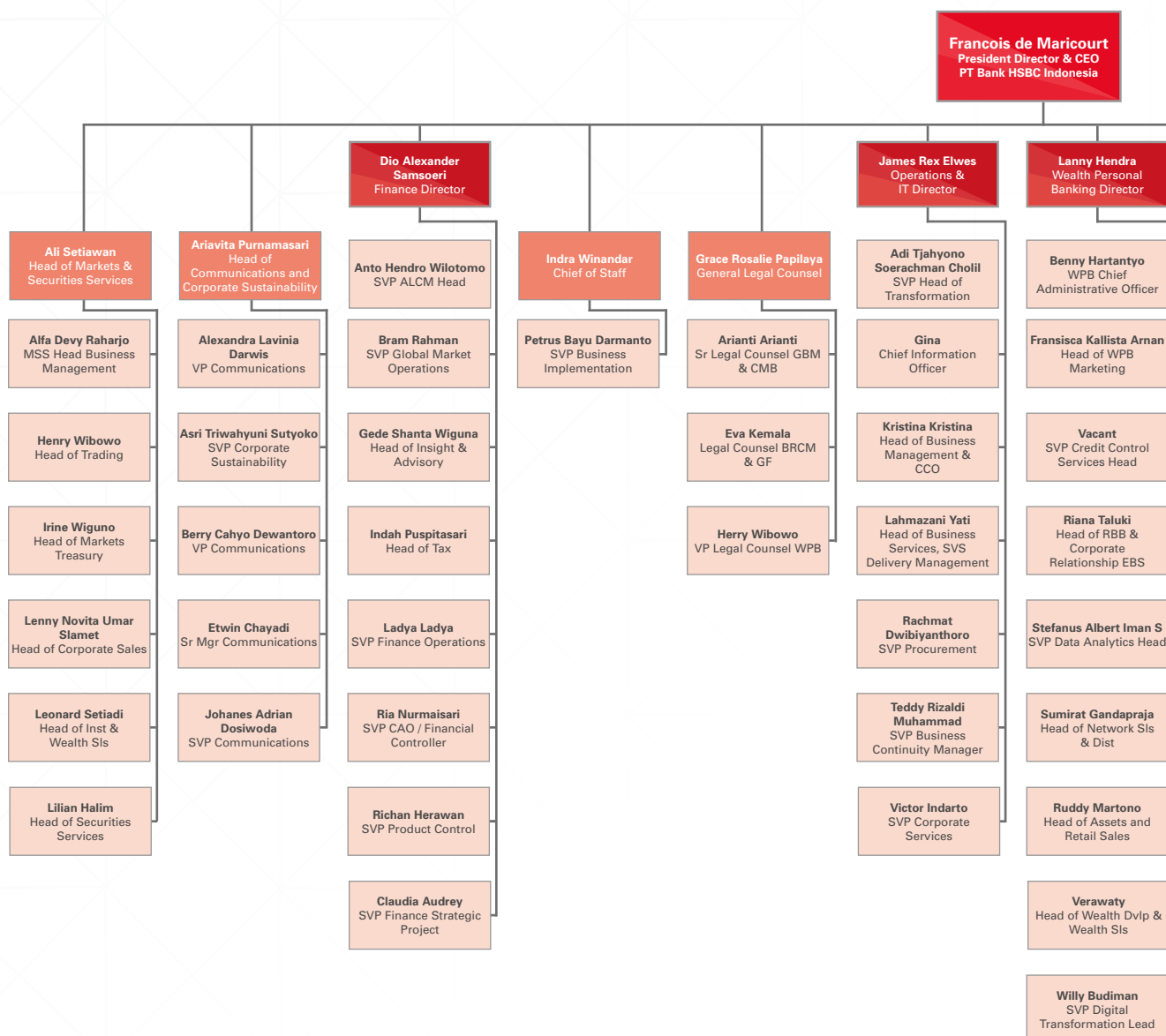
Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



Nisha Asha Bhambhani
Compliance
Director

Arya Angella R.Sarayar
SVP Compliance
Assurance Lead

Dessie Restriana
SVP RC GF DBS
Advisory Lead

Edwin Hadi Widjaja
SVP Compliance
Advisory WSB
Lead

Kayom Mukti Nursalim
SVP Reg Conduct &
RSO Lead

Riko Adyitha
Global Banking
Director

**Dionisia Andrea
Lachman**
Deputy of Wholesale
Banking Director

Steve Andoko
Head of Corporate
Banking

Charles Kho
Head of Multinationals
& ISB

Jeremy Sohan
Head of FIG & Public
Sector

Christiadi Salim
Head of Mid Market
Enterprise

Herani Hermawan
Head of Business
Banking

Anne Suhandoyo
Head of Global Payment
Services

Delia Melissa
Head of Global Trade
and Rec. Fin
(GTRF)

Charita Sari Boentardjo
SVP Issuer Services
Head

Yohanes Setiawan
SVP Debt Capital
Markets

Astrid Gunawan
Head of Business
Management &
Strategy

Anand Rajiv Nevgi
Executive Officer
Commercial
Banking

Ernest Febrianto.S
SVP Marketing
Wholesale Banking

Vacant
Head of Env, Social &
Gov (ESG)

Sariani Sadikun
Head of Wholesale
Credit
Approval

**Henry Juniara
Siauwyyu.M**
SVP Wholesale Credit
Approvals

**Lyonita Gustina
Hutagalung**
SVP Wholesale Credit
Approval 2 Team Leader

Teddy Setyono
SVP Wholesale Credit
Approval 3 Team Leader

Stephan Kusuma
Head of Financial Crime
Investigations &
Anti-Fraud

Robert Kurniawan
SVP Major Investigation
& Anti-Fraud

Aser Pasaribu
Mgr Triage Investigator

Carlos Isidro Quilis
Risk Management
Director

Gary Ahwil
SVP WPB Risk Head

Henriko Lukito Husada
SVP Risk &
Compliance Business
Management Lead

Hasna Hasna
SVP Traded & Treasury
Risk Management

Mariani Mariani
Head of Operational &
Resilience Risk

Patricia R Suardi
Head of Enterprise Risk

Sherly Changay
SVP LMU Lead

Uliya Ariani
Head of Company
Secretary

Eracita Mujandia Effendy
VP Company Secretary
Assistant

Rizki Arista
VP Assistant Corporate
Secretary

Windy Rima Puspita
AM Assistant Corporate
Secretary

Wiwien Widyantari
Head of Internal Audit

Anugraha Pratama
SVP Wholesale Banking
& MSS Audit

Ayub Ndaru Nugroho Sp
SVP WPB, IT & Functions
Audit

Inggried Verayanse
VP Quality Assurance &
Reporting

Yardley Young
Human Resources
Director

Jimmy S.A. Hutapea
SVP Employee &
Industrial Rel

Cheryl Widjaja Ekaputri
SVP Talent & Learning

Chindra Widjaja
SVP Performance &
Reward, Indonesia

Edwina Dian Rianti
SVP HR Advisory
Team Lead

Fitria Andikani
SVP Talent Acquisition

Enrico Marcus Peilouw
SVP HR Service Delivery

Manuella Nuryani J. Z.
SVP HR Consultant

Tjan Iman Suryadi
SVP HR Consultant



MANAGEMENT DISCUSSION **AND ANALYSIS**



ECONOMIC AND INDUSTRY REVIEW

Global Economic Review

In 2023, the global economy grew slower than the previous year. Despite the fact that the pandemic has been officially lifted, the economic recovery has been slow and uneven. The world was still dealing with the long-term effects of the pandemic, geopolitical risks from the ongoing Russia-Ukraine and Israel-Hamas wars, and tight monetary conditions to control inflation. IMF estimates global growth slowed to 3.1% in 2023 down from 3.5% in the previous year.

Advanced economies experienced a growth slowdown, dragged down by the eurozone, which was still heavily impacted by the war in Ukraine, pushing up energy prices. In 2023, the eurozone's GDP growth rate was only half a percentage point, compared to 3.3% in 2022. Meanwhile, the United States' GDP grew by 2.5%, exceeding 2.1% in 2022, due to strong business investment and resilient consumption. In 2023, Japan's growth rate nearly doubled to 1.9%, owing to pent-up demand, inbound tourism, and accommodative policies.

In emerging markets, GDP growth remained stable at 4.1%. China's growth increased to 5.2% in 2023 from 3.0% in 2022, but the country continued to grapple with the property crisis. Infrastructure investment also slowed significantly from pre-pandemic levels, and consumer confidence remained low. Meanwhile, other emerging economies remained resilient, with growth picking up in Brazil, India, and Southeast Asia's major economies.

Global inflation is expected at 6.8% in 2023, improved from 8.7% in the previous year, thanks to lower international energy and food prices. Core inflation also fell, albeit more gradually. Monetary policy tightening by central banks around the world has begun to bear fruit, though inflation remains above target in many economies. Tensions in the Middle East that began in the fourth quarter of 2023 have had a limited impact on inflation thus far, but the situation remains volatile.

Monetary policy tightening has begun to affect the financial system in 2023, with banks raising borrowing costs. The movement in the debt market also indicated tighter monetary policy. A banking scare occurred in March 2023, but it was contained and limited to regional banks in the United States as well as Credit Suisse, a Swiss bank with global systemic importance. Globally, despite tightening monetary policy, financial conditions have eased in many countries.

Trade was a major issue in 2023, as global trade growth fell to 0.9% from 5.1% in 2022. The decline was caused by a number of factors, including the shift in international trade from goods to services and rising trade barriers. In 2022, countries implemented nearly 3,000 new trade restrictions, up from fewer than 1,000 in 2019. According to the World Bank, trade restrictions may reduce economic efficiency and limit potential growth.

Other challenges faced by policymakers around the world were rising debt, climate change, and food insecurity. Progress by countries to cut their greenhouse gas emissions has fallen short, and decarbonisation of the economy needs sizable investment at a time when investment growth is weak. Meanwhile, food inflation remains high, as seen from the record price of rice in 2023.

Domestic Economic Review

Indonesia's economy slowed in 2023 as the country felt the effects of the global slowdown. According to the Central Statistics Agency (BPS), GDP growth fell to 5.05% from 5.31% in 2022 as exports fell sharply. Private consumption and investment remained strong, and the government accelerated National Strategic Projects that had been delayed due to the pandemic.

Transportation and warehousing remained the fastest growing sector in 2023, at 13.96%, followed by other services at 10.52% and accommodation and food and beverages at 10.01%. Manufacturing, the economy's dominant sector, grew by 4.64%. In December 2023, the S&P Global Indonesia Manufacturing PMI increased to 52.2. Factory activity increased for the 28th consecutive month, at the fastest pace since September, with output growth reaching a four-month high and new orders rising the most since September. Foreign demand rose for the first time in three months.

Inflation fell to 2.61% year on year in December 2023, down from 5.51% the previous year, as Bank Indonesia and the government's efforts to control inflation proved successful. Bank Indonesia appeared to have reached the peak of its monetary tightening cycle after raising the benchmark BI rate by 50 basis points to 6.00% in 2023. The central bank and the government collaborated to control volatile food inflation by managing food prices affected by El Nino.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



Bank Indonesia also introduced more pro-market instruments to help stabilise the rupiah. The instruments supported the rupiah, which closed at Rp15,439 per US dollar on December 29, 2023, up slightly from Rp15,592 per dollar on December 30, 2022. Indonesian assets remained attractive, as evidenced by the Jakarta Composite Index's 6.16% increase. Foreign direct investment increased by 13.7% in 2023 or reaching Rp 744 trillion rupiah, with the base metals industry attracting the most. Outgoing President Joko Widodo has pushed for investment in the base metal sector in order to increase the value of the country's raw materials.

Indonesia's balance of payments remained strong in 2023, but was not as large as it was in the past. In 2023, the current account fell to a deficit of USD1.6 billion from a surplus of USD13.2 billion in the previous year, a caution due to commodities prices declined from their highest in 2022, such as the palm oil prices which have fallen over 40% and coal prices dropped over 60%. Since May 2023, Indonesia's monthly trade surplus has slipped below USD4 billion. However, Indonesia's foreign exchange reserves at the end of December 2023 were USD146.4 billion, up 6.71% from the previous year.

In the digital economic landscape, the country is still dominated by the e-commerce and fintech industries and this trend is expected to continue in the coming years. Indonesia is home to 139 million social media users, nearly half the population, and more than 125% of the population has an active mobile connection. Internet penetration reaches around 65 percent.

The country has been also preparing for the 2024 general elections in February 2024 to nominate its eighth president in October 2024. Market players and businesses would expect economic stability, whilst the series of preparations for election will contribute 0.2% to economic growth in 2023 as the government has set the election budget of Rp11.5 trillion (USD0.7 billion) and Rp 15.9 trillion (USD1 billion) of government spending in 2023 and 2024, respectively.

Banking Industry Review

Indonesia's banking sector remained resilient and competitive in 2023, with high profitability and capital. Loan growth remained strong, albeit slightly slower than the previous year, with improved loan quality. Strong domestic economic activity from both corporations and households contributed to the banking sector's performance.

According to data from the Financial Services Authority (OJK), loan growth in 2023 was 10.38%, down from 11.35% in 2022. Loans were still primarily used for productive purposes, as evidenced by the growth in investment and working capital loans of 12.26% and 10.05%, respectively. In term of the growth size, it was mainly contributed by wholesale & retail trade, financial intermediaries, transportation, warehousing & communications, mining, and healthcare sectors. State-owned banks accelerated loan disbursements in response to the government's decision to speed up National Strategic Projects. The non-performing loan (gross) ratio fell to 2.19% in December 2023, from 2.44% the previous year. The number of Covid-19 restructured loans has also been declining, accounting for nearly half of last year's total.

ECONOMIC AND **INDUSTRY REVIEW**

Liquidity in the banking system was still adequate. Third-party funds (DPK) increased 3.7% in December 2023, with deposits experiencing the greatest growth. DPK growth was significantly lower than in 2022 due to the anomaly of a high base effect, which occurred when people saved more during the pandemic. Corporates and households spent more in 2023 as economic activity returned to normal, and markets offered a wide range of alternative financial instruments.

Capital-wise, bank fundamentals were more solid. The capital adequacy ratio (CAR) rose to 27.65% in December 2023, up from 25.66% from the previous year. In 2023, banks continued to strengthen their capital through rights issues and capital injections. Meanwhile, profitability in

2023 has also improved, as evidenced by an increase in return on assets (ROA) to 2.74% from 2.43% from the previous year, corresponds to the improved net interest margin (NIM) to 4.81% from 4.71% in the previous year to 4.81% at the end of 2023.

Digital banking transactions increased, while traditional payment methods decreased slightly. Bank Indonesia reported the transaction value of digital banking increased by 13.48% in 2023, while electronic money increased by 43.45% and QRIS increased by 130.01%. Meanwhile, payments made with ATMs, credit, and debit cards fell 0.81%.

Key Highlights
2023

Management
Report

Company
Profile

**Management
Discussion
and Analysis**

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

BUSINESS REVIEW

Wealth and Personal Banking (WPB)

The Bank accommodates various retail banking needs through several products and services. One of them is HSBC Premier, an exclusive product with a global network, which offers a wide variety of exclusive banking services. In addition, the Bank 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 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. As for debit cards, the Bank has HSBC VISA Debit Card and HSBC National Payment Gateway (GPN) Debit Card.

In order to better serve customers and focus on the emerging affluent segment, the Bank has offered the revamped HSBC Advance proposition to the existing customer base. The Bank will continue giving the best banking services while in parallel conducting portfolio action through various initiatives.

Throughout 2023, the Bank continued to optimise its network in order to boost the growth of emerging affluent customers and strengthen the retail segment.

- **Personal Lending**

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 also offers various types of credit cards, including HSBC Premier MasterCard, HSBC Visa Signature, HSBC Visa Platinum, HSBC Visa Platinum Cash Back, and HSBC Visa/Mastercard Gold.

The Bank provides credit card options with different value propositions as part of efforts to improve credit card penetration. In the process, the Bank expands its strategic partners to boost the brand and credit card usage in various cities in Indonesia while adding more acquisition channels through online. It also improves penetration of banking products by targeting credit card customers and continuing to offer Premier credit cards to strengthen the proposition of middle-upper class customers.

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

- **Retail Business Banking**

HSBC Retail Business Banking (RBB) division provides business loans with collateral. The business loan schemes include Term Loan, Overdraft, and Revolving Loan. In March 2020, HSBC Retail Business Banking rebranded its services to HSBC Fusion, with the aim to support the SMEs segment to scale up their business.

To accommodate customers' needs in the small and medium enterprises (SMEs) segment, the Bank has developed types and varieties of banking products and services to better serve business owners in the Bank's geographic operational areas.

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 mostly introduced to HSBC personal banking customers who have business needs.

As of December 2023, HSBC Fusion has served more than 5,900 customers from the SMEs segment, with loan growth of 20% compared to 2022.

- **Wealth Management**

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

For insurance products, the Bank offers Protect Invest Plus, College Care, Future Care, Joint Life Care, Signature Wealth Assurance, Ultima Wealth Assurance, Optima Protection Assurance PASTI, Prime Life Assurance, and Protection PINTAR Assurance. For wealth management services, the Bank offers services and products such as Managing and Growing Wealth Planning, Children's Education Planning, Retirement Planning, and Protection Planning.

In 2023, the Bank continued to improve its Wealth Management services to middle-upper class customers by fulfilling daily needs, including wealth growth and management, children education planning, family protection planning, and pension fund planning.

The Bank has continued to strengthen the process, system, and internal infrastructure in order to continue booking healthy growth in Third Party Funds. The Bank has also developed additional Wealth Management products by adding mutual funds products and offering various series of government securities, as well as bonds issued by State-Owned Companies. The Bank also participated as a selling agent in Indonesian government bonds issuance in the primary market (such as retail bond and retail Sukuk) and in the secondary market.

In order to support Wealth Management business growth in 2023, the Bank reviewed and conducted necessary improvements pertaining to the process, system, and infrastructure related to investment.

WPB Plans, Strategies, and Focus for 2024

The Bank responds to tighter competition within the individual banking business segment by developing the following strategic strategies in 2024:

- Expanding Wealth Management market penetration into the upper-middle class customer by providing products that can fulfil their needs.
- Optimising the branch networks to increase growth of the emerging affluent customer's segment.
- Improving the penetration of banking or lending products, including but not limited to credit cards and/or personal loan products to the retail segment clients in cities where the Bank operates to serve the public by facilitating their banking needs.
- Improving the penetration of credit card products and/or lending products by offering the best acquisition program and providing various options

with varied value proposition, as well as opening new acquisition channels through online and partnership.

- Expanding strategic partners to improve the brand awareness and card usage in various Indonesian cities.
- Strengthening sales penetration to corporate clients in Indonesia by providing products for their employees through Corporate Employee Program.
- Upgrading the quality of Internet Banking and Mobile Banking platforms as a service feature that is more simple, user friendly, and with capabilities for better development.
- Rebranding HSBC Fusion and focusing on the SMEs segment to accommodate customers' needs, both business and personal, with various facilities that support business activities and provides an integrated solution in the onboarding process, access to credit facility, and special service to the SME segment.
- Enhancing RBB product penetrations through digital enhancement, which provides business owners the access and convenience in transactions via Internet Banking, and increases the number of transactions as well as revenue from Digital Banking.

Wholesale Banking (WSB)

Wholesale Banking covers a wide spectrum of customers covering Middle Market Enterprises, Large Local Corporates and Multinationals, as well as Financial and Institutional Group. Effective from 1 January 2023, the Bank has been operating within the umbrella of Wholesale Banking to realise the synergies of 2 (two) business units, Commercial Banking and Global Banking.

In 2023, the Bank continued its objective to become the "Preferred International Bank" for corporations through advanced and integrated global solutions. To achieve this, the Bank focused on:

- Client acquisition at scale by targeting key growth sectors: FDI-led investment, infrastructure, healthcare, TMT, new economy, global supply chain EV/battery, energy/power, ESG, FMCG.
- Strengthening our international business by building partnership with the Ministry of Investment/BKPM and chamber of commerce.
- Leverage our digital banking proposition to capture steady flow of transaction banking business.
- Maintaining leadership position in ESG by assisting our customers in their transition program, as well as playing an active role in supporting the country's Energy Transition Mechanism (ETM) agenda.
- Building World Class Talent through creation of a strong learning organisation.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

In general, the Wholesale Banking department managed to achieve strong performance in 2023 as positive momentum was recorded in the growth of client base, international corridor businesses, loans and deposits, ESG financing, and talent development.

- Acquired 424 NTB (New to Bank) clients across segments, 166 of which were from International Subsidiaries Banking/Multinational Corporation segment. Positive growth was recorded in international corridor performance with double digit growth rate.
- Loans and advances in December 2023 were lower by 4% YoY (period end) in the midst of fierce loan pricing competition and weaker loan demand due to customers with high liquidity levels tended to reduce their leverage.
- Customer deposits were higher by 9% YoY on average mainly contributed by the increase of Time Deposits. CASA balance declined due to the tendency of customers to place funds in Time Deposits to take advantage of high interest rates.
- Executed 17 ESG deals, including the provision of Social Trade Loan, Green Loan, and playing an important role in Green Bond issuance.
- Fostered a culture of continuous learning and development through various training including leadership, communication skill, and products to enhance employee skill-sets and proficiency in delivering outstanding services and product propositions to our customers.

WSB Plans, Strategies, and Focus for 2024

WSB will continue to focus on the following strategy to become the “Preferred International Bank” in Indonesia for clients with international aspirations and global assistance to support their business growth.

- Accelerate client acquisition and expand the target names by focusing on key players/foreign direct investment (FDI) – led investment in key growth sectors such as healthcare, new economy, and global supply chain EV/battery, while continuing to strengthen the Bank’s footprint in the ESG area.
- Leverage digital and transaction banking capabilities by leveraging HSBCnet capabilities to capture more flow businesses across GTRF, GPS, and Global Markets (GM), as well as drive the NFI.
- Advocate the Bank’s role in facilitating FDI by supporting government priority projects and partnering with internal/external networks.
- Embed risk management in the way of working to ensure sustainable growth.
- Focus in supporting customers on their transition to net-zero emissions:

- a. Capturing ecosystems across focused sectors including but not limited to renewable infrastructure value chain and electric vehicle;
 - b. Continue shaping JETP implementation and support renewable infrastructure; and
 - c. Proactively engage clients in understanding and assessing their transition plans. And identify opportunities to finance clients’ transition and decarbonisation investment.
- Capture cross-sell and strategic event deal opportunities by strengthening collaboration with other products and businesses, i.e. WPB and MSS.
 - Attract, develop and retain key talents, further supported by training and mentoring programs to ensure they remain fit for the future.

Global Markets & Securities Services

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

The Global Markets team covers several desks, which includes Trading, Markets-Treasury, Corporate Sales, and Institutional & Wealth Sales. It provides complete product services and covers the needs of the Bank’s franchise business, such as corporates, financial institutions, and retail customers. The products offered include foreign exchange (FX), derivative, fixed income, and other money-market products. The Bank’s business strategy in the Global Market continues to focus on franchise business collaboration which benefits customers and increases 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 Global Market 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 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.

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 types of segments, HSBC Premier and HSBC Advance, in order for the customers to make a 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 has also initiated promotional programs for HSBC credit cards to cater the lifestyle of its holders. The Bank offers various benefits for HSBC credit card holders in shopping, dining, and travelling transactions across the world. Another benefit for HSBC credit card holders is the cashback feature or 'reward program' by collecting 'reward points' from all transactions using credit cards. There is also a point exchange with hotel vouchers, mileage programs, shopping vouchers, or discounts in participating Instant Reward Merchants. In addition, HSBC credit cards also offer several additional programs for certain types of credit cards with the aim of increasing usage and increasing customer loyalty.

Throughout 2023, the Bank carried out credit card promotion programs with selected merchants that were separated into 6 (six) categories:

- Thematic Campaign that included Chinese New Year, Ramadan Program, and Year-End Holiday Program.
- E-Commerce online daily deals was a discount and instalment program available in various e-commerce merchants on certain days.
- Home delivery dining and groceries program provided discounts or cashback vouchers at various restaurants and supermarkets which cooperated.
- Groceries offline program offered discounts on certain days.
- Home, electronic and gadget program offered discounts and instalments of 0%.
- Discount and special price program in travel category, in collaboration with airline partners (ANA and Qantas), various travel agents for offline purchases, as well as Traveloka and tiket.com for online purchases.

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

The Bank also provided housing loans for customers with medium-term and long-term needs on property purchases or takeover from another bank. The housing loans have competitive interest rates, with easy approval, and adjusted to customers' financial needs.

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

In Indonesia, the Bank has branches in 18 cities, including Jakarta, Bandung, Semarang, Surabaya, Medan and other cities. Customers can access Bank's services in more than 77,000 ATM Bersama network and more than 100,000 ATMs through the PRIMA network.

Moreover, throughout 2023, the Bank also conducted several marketing programs for retail customers:

Wealth Management

- Throughout 2023, the Bank held 24 education 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, State Owned Enterprises (SOEs) as well as the government in promoting and offering various investment products such as equity mutual funds, corporate bonds, sukuk, government bonds, including IPO bonds.

Asset

- Continued partnership with e-commerce, groceries, dining, home living, health, travel and other potential partners through promotion programs to strengthen spending in related merchants.
- Increased product penetration to customers through product developments that can be enjoyed by Premier and Advance customers.
- Improved communications with banking customers on offers and benefits for Credit Card and/or personal loan to attract more customers to apply for Credit Card and/or personal loan.
- Opened acquisition channels for new personal loan and/or credit card through digital online and strategic partnership.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Retail Business Banking (RBB)

- The Bank continued to strengthen the branding of HSBC Fusion specifically targeting the SME segment and HSBC Fusion proposition aimed at helping business owners to scale up their business.
- The Bank continued to maintain a presence in digital and social media to promote HSBC Fusion. On top of that, initiating partnership with e-commerce to reach wider SME business owners. HSBC Fusion won the Retail Awards 2023 as “Best SME Product Innovation of the Year 2023” from The Digital Banker.

Wholesale Banking

Throughout 2023, Wholesale Banking (WSB) has launched a number of marketing initiatives in supporting our business.

- Intensified presence in digital and social media as part of the initiative to digitise the Bank’s marketing activities to promote the Bank’s digital capabilities and solutions. As part of our social media content, we focused on 3 key messages i.e., Product and Capabilities, Award and client testimonial and study case. The testimonial and the study case of our selected client emphasised on the objectivity and the result towards clients provided by the product and the solution offered by WSB.

During 2023, WSB launched a series of unified digital campaigns and maximised all HSBC owned digital assets such as public website and social media. In addition to the assets, WSB also maximised the amplification through paid media channels such as social media, paid articles, and specific product related events.

- Implementation of Marketing Technology (Martech) – Marketing Technology tools has been implemented during the 2023 marketing campaign. Started with Integration of LinkedIn to Eloqua with the purpose of getting quality leads and data visibility for further client acquisition follow up.

This was followed with CDP (Customer Data Platform) which allows us to group and create an audience based on combined data sources. This platform allows us to identify the needs of a selected audience. In Q4 2023, Brightcove was implemented. Brightcove is an online video hosting platform that identifies the target of most engaged viewers by connecting to social media.

- Conducted 24 events both offline and online covering the Bank’s capabilities and solutions, market update and product related events.

Among the events, a series of Owning the City campaigns was launched in 3 different cities. The campaign emphasised on strengthening our presence in selected cities. The campaigns combined both digital campaigns and offline events.

To support our Transactional Banking business, WSB Marketing conducted 2 (two) specific events emphasising our digital capabilities, namely GPS Summit and Innovation Forum.

GPS Summit “Enabling Growth: Future of eCommerce” explored some of the challenges, best practices, and success stories that can inspire and guide businesses to embark on a future journey. Simon Wintels – Partner, from McKinsey & Company shared market readiness, consumer behaviour, and Indonesia’s position compared to other markets in Southeast Asia.

“HSBC Innovation Forum - Embracing Digital Disruption in Financial Services and Banking” discussed digitalisation and digital adoption in the financial industry. Guillaume de Gantès - Senior Partner, Jakarta - McKinsey & Company, presented “The Development of New Tech: Innovation”. Panel discussion session with HSBC customers, Alison Jap - Chief International Partnership DOKU, Camila Bullock - CEO Emerging Payments Association Asia and Vincent Lau - Global Head of Emerging Payments HSBC. The Innovation Forum concluded that banking is an industry that can adapt and evolve, and now with the development of digital technology, HSBC is well positioned to shape the future of banking through innovation. Digitalization on a large scale is one of the core pillars at HSBC.

- In supporting the Government of Indonesia in boosting Foreign Direct Investment (FDI), HSBC partnered with the Ministry of Investment/Investment Coordinating Board (BKPM) to hold “HSBC Indonesia Day Event – Investment in the Spotlight: Igniting Indonesia’s Bright and Sustainable Future”. Nurul Ichwan, Deputy Minister for Investment Promotion delivered keynote speech on the government’s proactive approach to fostering the growth of downstream industries and unwavering commitment to attract a multitude of investments and paving the way for a sustainable economy.

MARKETING ANALYSIS

- Hosted HSBC Summit 2023 with the theme “Navigating Indonesia’s Path: Insight for Today, Visions for Tomorrow”. The HSBC Summit 2023 aimed to bring together industry leaders, policymakers, experts, and stakeholders to discuss and navigate Indonesia’s path towards sustainable growth and development. The summit provided valuable insights into the current challenges and opportunities facing the Indonesian economy, while also exploring the visions and strategies needed to shape a prosperous future.

Keynote speech was delivered by Airlangga Hartarto, Coordinating Minister of Economic Affairs, discussing the government’s policies and strategies for creating an environment that is conducive to investment with a vision to build a diversified economy based on innovation and creativity, which will support Indonesia’s sustainable development in the long run.

Kartika Wirjoatmodjo, Deputy Minister of State-Owned Enterprises, shared his insights on how SOEs are transitioning into more sustainable models by aligning themselves with Environmental, Social, and Governance (ESG) criteria.

On Market Outlook, Frederic Neumann, Managing Director and Co-Head of Economic Research HSBC, shared his thoughts on Indonesia’s potential to become the next economic powerhouse in Asia. He pointed out that Indonesia has all the ingredients for growth, such as a young and educated workforce, natural resources, and a large domestic market.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

BUSINESS SUPPORT REVIEW

HUMAN RESOURCES

The Bank continued to invest in people's capabilities in tandem with the expansion of the Indonesian banking industry. The Human Resources (HR) department has always supported the Bank's growth, adapting and aligning with market changes, particularly in the banking industry, providing excellent employee experiences, and continuously improving people-related policies, governance, risk management, and compliance.

Employee Profile

As of 31 December 2023, the Bank's employees were 2,690, or 5.8%, lower compared to the previous year. The employees' composition can be seen in these categories:

Composition of Staff based on Educational Level

Education	2023		2022	
	Number of Employees	Percentage	Number of Employees	Percentage
Doctoral Degree	1	0.04%	2	0.07%
Master Degree	237	8.81%	273	9.56%
Bachelor Degree	2,416	89.81%	2,539	88.93%
Diploma 3	5	0.19%	7	0.25%
Diploma 1	27	1.00%	30	1.05%
Senior High School	4	0.15%	4	0.14%
Total	2,690	100.00%	2,855	100.00%

In 2023, more than 98% of employees had Bachelor's degrees or higher, which was consistent with the previous year's figure. To continue to improve its performance, the Bank requires highly educated and qualified employees.

Composition of Staff based on Age

Age	2023		2022	
	Number of Employees	Percentage	Number of Employees	Percentage
18-30 years old	607	22.57%	683	23.92%
31-40 years old	1,106	41.12%	1,210	42.38%
41-50 years old	810	30.11%	800	28.02%
Above 50 years old	167	6.21%	162	5.67%
Total	2,690	100.00%	2,855	100.00%

In 2023, same as in the previous year, the employee composition was dominated by those of productive age and the dynamic young generation. More than 60% of the employees were under the age of 40.

Composition of Staff in the Organization

Level	2023		2022	
	Number of Employees	Percentage	Number of Employees	Percentage
Top Management	5	0.19%	8	0.28%
Middle Management	121	4.50%	112	3.92%
Lower Management	685	25.46%	789	27.64%
Staff and Others	1,879	69.85%	1,946	68.16%
Total	2,690	100.00%	2,855	100.00%

BUSINESS SUPPORT REVIEW

On average, one manager supervised 5 (five) or 6 (six) employees. The ratio is close to the directive recommendation to ensure effective and efficient management, which is 1 (one) manager to supervise 8 (eight) employees.

Composition of Staff based on Employment Status

Employment Status	2023		2022	
	Number of Employees	Percentage	Number of Employees	Percentage
Permanent Employee	2,531	94.09%	2,646	92.68%
Contract Employee	159	5.91%	209	7.32%
Total	2,690	100.00%	2,855	100.00%

The number of contract employees decreased by 23.9% from 209 in 2022 to 159 in 2023, since a large number of temporary jobs have been completed.

Composition of Staff based on Gender

Gender	2023		2022	
	Number of Employees	Percentage	Number of Employees	Percentage
Male	1,175	43.68%	1,273	44.59%
Female	1,515	56.32%	1,582	55.41%
Total	2,690	100.00%	2,855	100.00%

The gender composition of human resources remained largely unchanged from the previous year. Female employees outnumbered male employees by a margin of 56.32% to 43.68%. It demonstrates that the Bank provides numerous opportunities for female employees to pursue a career with the Bank.

Implementation of Remuneration Policy Including Material Risk Takers 2023

In 2023, the Remuneration and Nomination Committee (RNC) completed several activities and obtained recommendation from the Board of Commissioners:

- Review of annual performance and remuneration for Directors, Head of Business and Functions, as well as overall employees.
- Studies related to emoluments/fees for Independent Commissioners and Independent Parties.
- Recommendation on the one-year contract renewal for Independent Parties.
- Recommendation to Board of Commissioners on the appointment of new Commissioner.
- Review of strategic priorities and performance scorecards for Directors.
- Annual review of RNC Terms of Reference (TOR) and committee membership.
- Annual review of the composition of the members of the Board of Commissioners and the Board of Directors.
- Review on remuneration for Wholesale Banking Director.
- Review of Material Risk Takers (MRT) policy and identification resulting in 8 (eight) individuals appointed as MRT individuals.
- Review of Commissioner membership roles in the committees.
- Review of 2023 year-end performance evaluation.
- Review of succession plan for Directors.

Performance Management 2023

In the first half of 2023, all employees received a refresher on goal setting, with an emphasis on implementing 'performance routines' that cover 'what is expected from employees' (clear goals), with a focus on regular conversation and feedback. Employee check-in activities with managers were conducted in the middle of the year with the help of 'continuous performance' and 'continuous feedback' tools.

Performance and salary survey was conducted in early 2023 with focus on garnering employee insights on the annual performance and pay review process. Overall results showed positive trends in all indexes. Most improvement scores were in the area of the quality of performance conversations with managers.

The 2023 year-end performance reviews commenced from November 2023 to January 2024 through a series of activities covering employee self-assessment gathering feedback, manager assessment, fairness review and performance conversation

Employee Recruitment

In 2023, Talent Acquisition (TA) focused on recruitment process automation by having tools that supported workforce planning, including searching and selection of both internal and external sources. These initiatives were set as part of achieving the Bank's strategy, which included:

- Avature, a tool to assist recruiters for pipelining, categorising, and preparing the best talents based on the Bank's workforce demand. Avature was implemented in the first quarter of 2023. As of the end of 2023, Avature has recorded 3,400 internal and external applicants, who had interests on the 207 job advertisements posted by the Bank in job portals.
- Careerlink, a tool to support employees in their career development by providing support in exploring job opportunities for the roles that suit their interests and appetite.

By the end of 2023, the Bank recruited 489 employees, 364 of which as permanent employees and 125 as contract employees. There were 5 (five) critical roles filled by external and internal candidates for one top management position in Risk and four middle manager positions in Commercial Banking, Wealth Personal Banking, and Central Managed Offices.

Human Resources Development Strategy 2023

In 2023, the Bank continued to grow and HR strategies were focused on 5 (five) key areas:

1. Build Manager capabilities for the future.
2. Foster an environment committed to well-being, diversity, and inclusion.
3. Encourage, understand, and respond to employee voices.
4. Strengthen talent pipeline to increase internal succession.
5. Upskill and reskill employees' capabilities to be able to support personal and organisation development.

Training and Development 2023

The Bank regularly and continuously develops 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 cover the fields of hard skills/technical competencies, soft skills competencies, leadership education, and in-house training for specific fields of training. The programmes are grouped into:

- Business or role specific to technical/functional competency: Learning and development programme regarding specific competencies that are 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 area of values and culture.

After the COVID-19 pandemic in Indonesia, Bank has optimised training and development programmes through e-learning or virtually; however eventually in the year of 2022 and 2023 Bank keep striving to revive and increase face to face training. Some of the training that are using hybrid methods are:

- Seminar, workshop, and conference.
- Training and certification programmes required by regulators and the Bank, including Global Mandatory Training (GMT), Financial Crime 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 (induction).
- Socialisation programmes held internally and externally which cover 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 Global Graduate Programme (GGP) and Corporate Functions Graduate Programme (CFGP).

Graduate Program is one of the strategic programmes for the Bank to acquire potential talents from top university graduates. The programme is open and targeting top tier university graduates to participate in graduate 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 Program

Talent management is the process in preparing and developing talents to be ready as successors for critical positions at the Bank. With good talent management and good succession, the Bank is expected to sustain the best talents who are ready to fulfil the leadership pipeline continuously.

Talent management process is divided into 5 (five) main processes comprising:

- Talent Classification and Nomination
- Critical Role Identification and Succession Planning
- Talent Assessment
- Talent Development
- Talent Review

Several talent development programs held during 2023 included:

- Accelerating Female Leadership (AFL).
- Job enhancement, job swap, and project assignment through Talent Market Place.
- Networking activities with senior leaders for Talents.
- Masterclass training was provided particularly for the talents, focusing on communication skills, situational adaptation, design thinking, and growth mindset.
- Launched the second batch of UGrow Talent as a talent program specifically designed for VP/AVP Talents.
- The Bank has identified critical roles and succession planning for these critical roles, where 100% of critical roles already have their successors and 33% of critical roles have internal successors with 'Ready Now' and 'Develop in Role' readiness status.
- The Bank also continued to promote and empower gender equality through Female Talent Development and the succession management. As of 31 December 2023, 56.25% female employees were part of Senior Management.

Graduate Programme

Graduate Programme is a critical program as part of an early talent management strategy and to develop potential future leaders for the Bank.

Graduate program is targeted for the best fresh graduates from local or overseas universities. The structured development program covers 18–24 months program where candidates are given formal training, on the job learning, and project assignment to support their career development.

In 2023, the Bank organised 1 (one) batch Graduate program, including Global Graduate Program (GGP) designed for Wealth Personal Banking (WPB) and Wholesale Banking (WSB).

The comparison ratio of universities participation in the Graduate program is 50% of participants coming from local universities and 50% coming from overseas universities.

Following is the number of Graduate program participants in 2023.

Graduate Programme	Number of Participants
GGP – WPB	2
GGP – WSB	4
Total	6

Employee Assistance Program (EAP)

Employee Assistance Program (EAP) is one of the wellbeing programs provided to all employees to support and provide information about how managing financial wellbeing and mental health, and also providing counselling services for employees and their dependents with utmost confidentiality.

Following are EAP programs held in 2023:

- Organised 5 (five) webinar sessions and 4 (four) articles related to wellbeing.
- Organised offline and online counselling services for employees. Counselling hours reached 335.5 hours from 245 counselling sessions with a total of 182 employees participation.
- The Bank also organised wellbeing activities for employees which focused on mental health, physical wellbeing, financial wellbeing, and social wellbeing.

Diversity and Inclusion Programs

In 2023, the Bank developed diversity and inclusion programs to reflect and understand our customers, communities, suppliers, and shareholders. The Bank also felt the need to represent and embrace ideas, styles, and perspectives from employees who came from different backgrounds. The Bank focused on ensuring the employees felt valued, respected, and supported to fulfil their potentials. Therefore, the Bank launched several initiatives such as the improvement of employee management survey with various ethnicities and disabilities as well as the development of a new Employee Resource Group (ERG) such as Nurture, Generations, and Balance.

Training for the Bank's Employees in 2023

In order to enhance employee competencies, the Bank conducted development programmes for 3,240 employees in 2023, including resigned and outsourced employees. The Bank also organised HSBC Growtopia, an annual learning festival aimed at increasing employees's capabilities and improving their awareness of HSBC's culture and knowledge.

Number of Employee	Number of Training Hours	Training Hours per Employee	Number of Trained Staff*
2,690	77,823	24	3,240

* Number of trained staff including resigned staff and outsourcing staff

Details of training hours based on type of trainings:

Training Type	Training Hours	Total Training Hours
External Training		24,069
Assessment	86	
ILT	8,539	
Virtual Classroom	15,444	
Internal Training		53,754
Assessment	865	
eLearning	32,286	
ILT	14,512	
Virtual Classroom	6,091	
Total		77,823

Training for the Board of Commissioners and Board of Directors in 2023

With the aim to improve competencies and to support the duties and responsibilities of the Board of Directors and Board of Commissioners, members of the Board of Directors and Board of Commissioners participated in several training programmes in 2023, covering:

Training	Organiser	Date
Board of Commissioners		
2015 GMT ISR Exclusion List	HSBC University	May-23
Authorised Spokesperson 2023 Media Spokesperson	HSBC University	March-23
Click on the link to access curricula: HSBC Indonesia (HBID) Interaction Model - Practical Guide	HSBC University	June-23
Employee Bankruptcy or Composition with Creditors and Offence involving Fraud or Dishonesty	HSBC University	December-23
Financial Crime Masterclass for Market and Entity CEOs - Q2 2023	HSBC University	August-23
Financial Crime Masterclass for Market and Entity CEOs - Q3 2023	HSBC University	September-23
Financial Crime Masterclass for Market and Entity CEOs - Q4 2023	HSBC University	November-23
Global Exclusion List	HSBC University	May-23
Global Mandatory Training – Conduct matters - Existing Employees	HSBC University	December-23
Global Mandatory Training – Connect with our values – Existing Employees	HSBC University	June-23
Global Mandatory Training – Creating value together – Existing Employees	HSBC University	January-23
Global Mandatory Training – Fighting Financial Crime – Existing Employee	HSBC University	October-23
GMT Exclusion List	HSBC University	May-23
HSBC Data Privacy Basics: Handling Personal Data 2023	HSBC University	December-23
HSBC Indonesia (HBID) Interaction Model - Practical Guide	HSBC University	June-23
Leading With Impact	HSBC University	October-23
Volcker Awareness Training	HSBC University	September-23
Board of Directors		
8 Ways To Be An Ally To The Disability Community	HSBC University	January-23
A Checklist You Can Use To Prepare For A Difficult Conversations	HSBC University	November-23
Advanced Competition Law – ‘Upperhand Season 2’	HSBC University	February-23
AML & Counter-Terrorist Financing Statutory Obligations: for HBAP, its Branches and Subsidiaries Course	HSBC University	January-23
Anti-Money Laundering Controls over Tax Evasion	HSBC University	August-23
Atomic Habits	HSBC University	July-23
Authorised Spokesperson 2023 Media Spokesperson	HSBC University	February-23
Behavioural Science of Unconscious Bias	HSBC University	August-23
BFCR Training (Business Financial Crime Risk)	HSBC University	October-23
Bootcamp for CCOs, CROs, and CRCOs	HSBC University	November-23
Building Accountability into Your Culture	HSBC University	June-23
Building Self-Awareness	HSBC University	October-23
Climate Risk at HSBC	HSBC University	January-23
Conduct Training	HSBC University	July-23
Conduct, Market Abuse, Information Barrier and Conflict of Interest & Personal Data Protection	HSBC University	July-23
CPT Briefing for GB&M - VILT	HSBC University	February-23

Training	Organiser	Date
Critical Thinking	HSBC University	December-23
Cyber Security Training for Risk Owners in HR	HSBC University	January-23
Doing More With Less: Kill Meetings, Consider The Four-Day Work Week	HSBC University	January-23
Electronic Communications Risk Training	HSBC University	November-23
Emerging Financial Risk Management	HSBC University	December-23
Enhanced Customer Care Needs - English	HSBC University	November-23
Executive Masterclasses: Inspirational Communication	HSBC University	July-23
Facilitated Workshops - Express Your Interest	HSBC University	March-23
Finance Foundations: Risk Management	HSBC University	December-23
Financial Crime Masterclass for Market and Entity CEOs - Q2 2023	HSBC University	August-23
Financial Crime Masterclass for Market and Entity CEOs - Q3 2023	HSBC University	September-23
Financial Crime Masterclass for Market and Entity CEOs - Q4 2023	HSBC University	November-23
Financial Crime Masterclass for Senior leaders - HRR 2023	HSBC University	December-23
GB&M & CMB Climate Risk	HSBC University	January-23
Getting to know Cadency	HSBC University	January-23
GIA People Managers Offsite, Hongkong, 11-12 Sep 2023	HSBC GIA	September-23
Global Mandatory Training – Conduct matters - Existing Employees	HSBC University	December-23
Global Mandatory Training – Connect with our values – Existing Employees	HSBC University	June-23
Global Mandatory Training – Creating value together – Existing Employees	HSBC University	January-23
Global Mandatory Training – Fighting Financial Crime – Existing Employee	HSBC University	October-23
Having Difficult Conversations	HSBC University	December-23
Helping Leaders Form Deeper Connections by Building Active Listening & Feedback Skills	HSBC University	March-23
High Risk Role Learning – Personal	HSBC University	December-23
Hiring and Selection: Getting it Right	HSBC University	December-23
How do we use NPS in WPB?	HSBC University	January-23
How to Manage Climate Related Risk in Banking Industry	HSBC University	June-23
HSBC Leadership Sharing Session 2023 - by WPB Director	HSBC University	October-23
IIA Indonesia National Conference - Staying Relevant, 30-31 August 2023	IIA Indonesia	October-23
Influencing Others	HSBC University	December-23
Internal Fraud	HSBC University	June-23
Introductory Operational Risk Management Framework Training	HSBC University	June-23
Legal Privilege	HSBC University	March-23
Let's Talk Sustainability	HSBC University	May-23
Lift Your Impact	HSBC University	May-23
Managing Director Leadership Programme 2024	HSBC University	December-23
MANDATORY Post Course Assessment - HRR Learning CMB/GBM/ DBS + Trade Attempt 1	HSBC University	December-23

BUSINESS SUPPORT REVIEW

	Training	Organiser	Date
Key Highlights 2023 Management Report Company Profile Management Discussion and Analysis Good Corporate Governance Corporate Data Sustainability Report Financial Statements	MANDATORY Post Course Assessment - HRR Learning CMB/GBM/DBS Attempt 1	HSBC University	December-23
	MANDATORY Post Course Assessment - HRR Learning Personal Attempt 1	HSBC University	December-23
	Mindfulness Foundation Course	HSBC University	December-23
	MSS Climate Risk to Financial Risk	HSBC University	August-23
	National Seminar Indonesia Internal Audit Foundation - Trusted Advisor: Navigating The New Frontier, Connecting Between Information Technology and Business Strategy	Indonesia Internal Audit Foundation	December-23
	NPS Explainer	HSBC University	January-23
	OD Factsheet	HSBC University	May-23
	OpenAI CEO Sam Altman AI for the Next Era	HSBC University	July-23
	Organisational Design For A Hybrid Future of Work	HSBC University	May-23
	Our Brains Are Just Wired Differently	HSBC University	January-23
	Overview of Climate Risk and Related Wholesale Risk Considerations - March 2022	HSBC University	September-23
	Prepare For Difficult Discussions	HSBC University	December-23
	Problem-Solving Techniques	HSBC University	December-23
	Procurement Part 2: How to Manage Risk When Buying Goods or Services	HSBC University	March-23
	Q&A with Caroline Casey!	HSBC University	January-23
	READ: The Importance Of Following Up With Your Employees	HSBC University	March-23
	Refresher "Conduct, Speak-up & Escalation"	HSBC University	September-23
	Skills Development Conversations A Guide for People Managers	HSBC University	November-23
	Stakeholder Analysis: Winning Support for Your Projects	HSBC University	March-23
	Strongger Together to Become a Great Team	HSBC University	September-23
	Supporting Customers with Enhanced Care Needs Curriculum	HSBC University	November-23
	Sustainability & Climate Risk	HSBC University	September-23
	Sustainability for MSS	HSBC University	June-23
	Systemic Root Cause Analysis	HSBC University	December-23
	Take a More Creative Approach to Problem-Solving	HSBC University	December-23
	Taking Responsibility 2023	HSBC University	November-23
	The Broken CEO	HSBC University	January-23
	The Manager's Guide to Difficult Conversations	HSBC University	December-23
	The New Age of Risk Management Strategy for Business	HSBC University	December-23
	The perks of Being a Pirate	HSBC University	January-23
	The value of feedback	HSBC University	July-23
	Thinking, Fast and Slow	HSBC University	September-23
	TPM: How to Manage Risk when Buying Goods or Services	HSBC University	March-23
	Training using tools Hurdle quicksand brickwalls and Exchange	HSBC University	August-23
	Transition to People Manager - Create a team built on trust - Full lesson	HSBC University	June-23
	Transition to People Manager - Know your role - Full lesson	HSBC University	June-23

Training	Organiser	Date
Transition to People Manager - Learn the art of delegation - Full lesson	HSBC University	June-23
Volcker Awareness Training	HSBC University	October-23
What is an API?	HSBC University	August-23
What is Organisation Design? Kates Kesler	HSBC University	May-23
Whistleblowing Training	HSBC University	January-23
Wholesale Financial Crime Risk Sharing of Information	HSBC University	August-23
WPB Climate Risk	HSBC University	January-23

Global Mandatory Training (GMT) 2023

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

Overview GMT Calendar 2023

Trimester 1/2023 April - June	Trimester 2/2023 August - October	Trimester 3/2023 November – January 2024
Connect with Our Values <ul style="list-style-type: none"> Managing Risk at HSBC Health and Safety, Well-being Protective Security and Cyber Security 	Fighting Financial Crime <ul style="list-style-type: none"> Anti Money Laundering Terrorist Financing Sanctions Fraud Tax Transparency Anti-Bribery & Corruption 	Conduct Matters <ul style="list-style-type: none"> Data Competition Law Bullying, Harassment, Discrimination and Retaliation Global Code of Conduct Sustainability
Assigned 6 April 2023- Complete 5 June 2023	Assign 21 August 2023- Complete 20 October 2023	Assign 30 November 2023- Complete 29 January 2024

Financial Crime Risk High Risk Role 2023

These are a suite of modules designed to address enhanced learning requirements for employees in high risk roles. A high risk role is one that involves activities which have a 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 an enhanced ability to identify, assess, manage, and report financial crime.

The Financial Crime Risk High Risk Role Training Programme held by HR Learning is AML and Sanctions (AMLS) for High Risk Role. This training is mandatory for all AML and Sanctions High Risk Roles within the Bank and it is separate from the Global Mandatory Training (GMT) courses 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 role. Both permanent and contract employees are required to complete the learning and post-course assessment. The eLearning and post-course assessment are mandatory and employees have 90 days to complete the assigned modules.

Previous year's programmes have been completed and for 2023, the new programme of AML and Sanctions for High Risk Role training was assigned to 822 employees, with the percentage completion of 12% by the end of 2023. The rest will complete the training in 2024.

BUSINESS SUPPORT REVIEW

HSBC Leadership Training Programme 2023

The Bank has several flagship leadership training programmes, some of which are part of the HSBC University programme. In 2023, the number of employees participating reached 316 employees.

Leadership Programme	Global Business	DBS	Global Functions	Total
Coaching for Performance		1		1
Control Owners Leader Led Workshop	2	2	2	6
Cultivating creativity - Executive Leadership Video Tutorial			1	1
Delegating Tasks	2		2	4
Digital Leadership Curricula Deep Dives: Data Skills and Data Story Telling			1	1
Digital Leadership Curricula Deep Dives: Design Thinking		2	1	3
Empowering Our People		1		1
HSBC Leadership (offline) Training: Lateral Leadership	15	13	13	41
HSBC Leadership (offline) Training: Radical Candor	21	14	13	48
Inclusive Leadership		1		1
Leadership Foundations	1			1
Leadership Mindset	17			17
Leadership: Practical Skills	3			3
Modules 1 and 2 Leading Change Live Online Learning (GCB 4 and 5)		1		1
MSS Uncovering the Leader in You (ULY) Programme	1			1
People Management Excellence: Your People	15	10	5	30
People Management Excellence: Your Role	1			1
People Management Excellence: Your Team	16	10	5	31
People Management Excellence: Your Team (Virtual)	1			1
People Management Excellence: Your Work	23	13	17	53
People Management Excellence: Your Work (Virtual)			1	1
People Management: Your People (Virtual)	8	1	3	12
People Management: Your Role	3		4	7
People Management: Your Team (Virtual)	4		4	8
People Management: Your Work (Virtual)	5	2	7	14
Strategic Dialogue Skills for Account Managers - VILT	1			1
The 6 Critical Practices for Leading A Team			26	26
Virtual Leaders as Teachers		1		1
Total	139	72	105	316

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Future Skills Learning Programme

The Bank has identified through research the critical skills that will enable employees and the Bank to be successful in the future. The skills identified cover both current and future-focused skills - and have been categorised for ease of reference. In 2023, the Future Skills Learning programme was available in 23 curriculums and the number of employees who have completed training were 2,072 employees.

Future Skills Curriculums	Global Business	Global Functions	DBS	Total
Agile Mindset	19	11	30	60
Data Storytelling for Business	19	18	12	49
Business Writing	16	24	37	77
Communicating with Impact	26	25	59	110
Connectivity	20	17	95	132
Creativity	18	7	85	110
Curiosity	11	11	119	141
Customer Engagement	33	6	54	93
Design Mindset	13	12	60	85
Growth Mindset	47	27	108	182
Influencing Skills	15	15	61	91
Interview Skills	13	16	35	64
Negotiation Skills	28	8	48	84
Presentation Skills	22	11	27	60
Prioritisation	13	13	78	104
Resilience	11	15	38	64
Sense Making	29	14	38	81
Social Intelligence	19	17	67	103
Virtual Collaboration	9	12	24	45
Virtual Facilitation	3	6	32	41
The Data Science Mindset	41	36	33	110
The Developer Mindset	17	7	25	49
The Hacker Mindset	33	20	84	137
Total	475	348	1249	2,072

Banking Certification Programme 2023

To ensure compliance with the provision of the banking certification programme set 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 1,623 employees and 29 employees have completed the risk management certification refresher programme in 2023.

• Treasury Certification

The number of employees who have been certified for treasury certification in accordance with their level of positions are 22 employees and 4 employees have completed treasury certification refresher programme in 2023.

• WAPERD Licence

WAPERD License is a mandatory requirement for WPB sales employees who sell mutual fund products. The number of employees in WPB who have WAPERD licence were 56 employees in 2023.

BUSINESS SUPPORT REVIEW

• AAJI Licence

AAJI licence is required for WPB sales employees who market the bancassurance products. The number of RWBM sales employees who have AAJI licence were 298 employees.

• WPPE Licence

WPPE License is a mandatory requirement for employees who sell security products. The number of employees who have WPPE licence were 254 employees and 100 employees have completed WPPE licence refresher programme in 2023.

• Payment System and Rupiah Operational Certification

The Bank has reached the minimum requirement of SPPUR certificate ownership which has achieved the target for 2023 with 890 employees in Operator Level, 310 employees in Supervisor Level, and 12 employees in Executive Officer Level.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Certification Programme	Business Functions					Total	
	Commercial Banking	Global Banking & Markets	Wealth Personal Banking	DBS	Others LOB's		
Risk Management Certification							
Level 1 - Tier 4	80	11	367	228	36	722	
Level 2 & 3- Tier 5	204	61	236	154	184	839	
Level 4 - Tier 6	10	3	8	4	27	52	
Level 5 - Tier 7	1	1	1	1	6	10	
SMR Refresher Programme	4	2	3	12	8	29	
Treasury Certification							
Basic Level	15					15	
Intermediate Level	4					4	
Advance Level	2					1	3
Treasury Refresher Program	3					1	4
WAPERD Certification			56	56			
AAJI Certification			298	298			
WPPEP Certification	10					244	254
WPPEP Refresher Program						100	100
SPPUR Certification							
Executor Level	37	58	681	114	890		
Supervisor Level	7	5	294	4	310		
Executive Officer Level	1	2	7	2	12		

Training and Development Expenses 2023

Total expenses for training and development in 2023 stood at Rp43.7 billion, or 5.38% of last year's gross salary in 2023.

Description	2023 (in million)
Realization of Training Cost	43,708
Realization of Staff Cost	812,087
Training Cost against Last Year's Gross Salary	5.38%

TECHNOLOGY AND OPERATIONS

Strategy & Implementation in 2023

In 2023, the Bank continued developing its hardware, software, and operational processes to meet regulatory requirements, support business growth, reduce operating expenses, and improve customer experience.

Digitisation and Streamlining

The Bank is continuously working on improving operational processes through automation, migration of customer transactions to electronic channels, mobile banking platform updates, simplification of cross border payment processes, and the use of cloud data centers. These initiatives resulted in increased scalability of operational capacity, speed, accuracy, and service to customers as well as reducing operational risk.

In early 2023, HSBC's mobile banking platform, 'Mobile X', was launched. It has many capabilities and features that continue to be improved upon over time. For local payments, the Bank integrated with BI-FAST services to offer this solution across various channels. Further for corporate customers, the Bank launched Unitransact Banking for cross-border payments.

For retail banking, controls were enhanced to improve conduct management to align with HSBC best-practice for wealth management, and at the same time improve customer experience. Specifically, the bank launched bond and mutual fund transactions facilitated through Mobile X.

For corporate banking, various developments were carried out to continue to improve services, manage risks and increase transparency for corporate customers. One of the service developed was the Omni Collect HBID service with DOKU as PSP (Payment Service Provider) which is aligned with BI-SNAP.

To protect conversations with customers via instant messaging, the Bank developed LeapXpert to communicate between the Bank and its customers using instant messaging applications chosen by customers such as WhatsApp.

Data On-shoring

In accordance with regulations, the Bank's Data Center is located in Indonesia. The Bank is committed to bring Core Cards (the main credit card system) on-shore. This will be achieved in phases through 2024.

Compliance

The Bank continued to ensure that data, systems, and processes comply with the latest regulations. As part of this, the Bank has developed a reporting platform to integrate reporting to regulators to produce standardised reporting that is consistent, accurate, and timely.

Risk Management

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

- **Money Laundering and Sanctions**

The Bank has continued to invest in its capabilities to detect, deter, and prevent financial crime.

- **Operational Resilience**

The Bank has continued to have regular system health checks to ensure all systems are running seamlessly in order to minimise operational risk.

The Bank has continuously updates software and hardware, to ensure that internal and external services are working properly in a secure manner.

Human Resources

The Bank is committed to developing employees, to ensure they are well equipped for their roles and are continuously expanding their capabilities to keep up with rapid external international developments.

The training balances content between employee soft skills and hard skills, with a focus on information technology and operations. Training is performed through electronic and face to face meetings to provide convenience for employees. The Bank has also cooperated with other digital platforms such as Degreed, LinkedIn Learning, Fit for Banking, and Coursera to provide opportunities for employees to learn online.

The Bank continues to support a hybrid working model. To improve employee interaction and encourage face to face interaction, the Bank has built a new collaboration space at the head office. This collaboration space aims to create a working environment in accordance with work values that connects colleagues and strengthens collaboration between teams.

Plan and Strategy in 2024

Strategic Business Growth Plans

The Bank will continue to invest in technology infrastructure and data commercialization capabilities to meet current and future business demand. The Bank focuses on its strengths as the international bank of choice for corporate customers through leading and integrated global solutions and by maintaining its market leadership in wealth management. The Bank is also promoting sustainable finance to support the transition to net zero-emissions.

Digitisation 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 our customers and staff, with skills, technology, and working environment fit for the future.

Risk Management

The implementation of disciplined risk management is key to protecting the risks that may be faced by the Bank. All departments follow rigorous control management and have implemented the Financial Risk and Non-Financial Risk Framework.

The Bank keeps developing technology to improve system capabilities and risk mitigations. These include systems to detect and prevent financial crimes, cybersecurity system enhancement to protect system integrity and customer personal data, as well to ensure bank resilience and security.

Data On-shoring

In accordance with regulations, the Bank remains committed to maintaining a Data Center on-shore in Indonesia. PT Bank HSBC Indonesia will bring Core Cards (the main credit card system) on-shore in phases over 2024.

As part of our wider Credit Card transformation we are developing a new straight through origination process which will play a critical role in increasing access to credit cards for new Bank customers. This will help us drive financial inclusion and effectively commercialise the new Core Cards platform that has been operated on-shore.

Operational Resilience

The Bank will continue to update existing software and hardware while conducting regular health checks to optimise service levels and enhance overall security.

The Bank will continue to apply Hybrid Working, both to support staff well-being and to improve Bank Contingency measures.

Human Resources

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

As a working culture, the Bank emphasises on conduct and risk culture especially Non-Financial Risk (NFR). To maintain and promote this culture, the Bank consistently continues to hold related programmes for employees.

As mentioned above, the Bank is continuing to promote a Hybrid Working model. Staff greatly welcome the flexibility and choice in how and where they work, suitable to the roles and teams they work in.

Sustainability

The Bank aims to have Net Zero Carbon emission in our operations and supply chain by 2030. Carbon emissions are generated by our supply chain, energy consumption, and travel.

In regards to this, the Bank will continue to drive three strategy elements, including reducing emission from direct operations, replacing consumption with low carbon alternatives, and removing remaining emission by procuring high quality offsets.

FINANCIAL PERFORMANCE REVIEW

The financial performance review refers to the Financial Statement for the year ended 31 December 2023. 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 2023, in accordance with the Financial Accounting Standards in Indonesia.

Financial Position Report

Financial Position	31 December 2023	31 December 2022	Rp Billion	Growth %
	Rp Billion	Rp Billion		
Asset				
Cash	365	429	(64)	-14.92%
Demand deposits with Bank Indonesia	12,296	11,942	354	2.96%
Demand deposits with other banks-net	3,634	4,350	(716)	-16.46%
Placements with other banks-net	118	225	(107)	-47.56%
Placements with Bank Indonesia	12,271	18,682	(6,411)	-34.32%
Investment securities	19,156	13,308	5,848	43.94%
Financial assets held for trading	1,805	1,248	557	44.63%
Derivatives Receivables	263	324	(61)	-18.83%
Securities purchased with agreement to resell	11,635	14,037	(2,402)	-17.11%
Export bills-net	5,361	2,063	3,298	159.86%
Acceptance receivables-net	1,538	2,062	(524)	-25.41%
Loans to customers - net	52,259	53,534	(1,275)	-2.38%
Prepaid tax	772	831	(59)	-7.10%
Other assets-net	2,625	1,709	916	53.60%
Properties and equipments -net	728	840	(112)	-13.33%
Intangible assets - net	143	72	71	98.61%
Deferred tax assets	409	326	83	25.46%
Total Assets	125,378	125,982	(604)	-0.48%

FINANCIAL PERFORMANCE REVIEW

Financial Position	31 December 2023	31 December 2022	Rp Billion	Growth %
	Rp Billion	Rp Billion		
Liabilities and Equity				
Liabilities				
Deposits from customers	86,319	90,188	(3,869)	-4.29%
Deposits from other banks	3,932	3,357	575	17.13%
Securities sold under repurchased agreements	-	42	(42)	-100.00%
Derivative Payables	279	466	(187)	-40.13%
Acceptance payables	1,542	2,095	(553)	-26.40%
Income tax payables	173	34	139	408.82%
Accruals and provisions	604	543	61	11.23%
Other liabilities	2,467	2,339	128	5.47%
Borrowings	9,469	7,550	1,919	25.42%
Subordinated debt	1,155	1,168	(13)	-1.11%
Employee benefits obligations	452	449	3	0.67%
Total Liabilities	106,392	108,231	(1,839)	-1.70%
Equity				
Share capital	10,586	10,586	-	0.00%
Additional paid-in capital -net	258	258	-	0.00%
Other comprehensive loss - net	(61)	(84)	23	-27.38%
Retained earnings:				
Appropriated	96	77	19	24.68%
Unappropriated	8,107	6,914	1,193	17.25%
Total Equity	18,986	17,751	1,235	6.96%
Total Liabilities and Equity	125,378	125,982	(604)	-0.48%

FINANCIAL STATEMENT ANALYSIS

Total Assets

As of 31 December 2023, the Bank's total assets reached Rp125,378 billion, slightly decreased by Rp604 billion (-0.48%) from the 31 December 2022 position.

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 so they can be immediately disbursed, if needed

The Bank managed around Rp59,475 billion of liquid assets in 2023, decreased by 5.55% compared to last year in line with lower deposits from customers. These liquid assets were in the form of cash and demand deposits with Bank Indonesia and other banks-net, placement with other banks-net and Bank Indonesia, investment securities, as well as securities purchased with agreement to resell.

Description	31 December 2023	31 December 2022	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Liquid Asset				
Cash	365	429	(64)	-14.92%
Demand deposits with Bank Indonesia	12,296	11,942	354	2.96%
Demand deposits with other banks-net	3,634	4,350	(716)	-16.46%
Placements with other banks-net	118	225	(107)	-47.56%
Placements with Bank Indonesia	12,271	18,682	(6,411)	-34.32%
Investment securities	19,156	13,308	5,848	43.94%
Securities purchased with agreement to resell	11,635	14,037	(2,402)	-17.11%
Total	59,475	62,973	(3,498)	-5.55%

Investment Securities

Bank's Investment Securities as of 31 December 2023 reached Rp19,156 billion, rising by 43.94% from 31 December 2022. The increase was mainly from securities issued by Bank Indonesia reaching Rp8,016 billion which was partially offset with lower Government Bonds balance.

Loan to customers

The biggest composition of the Bank's total assets as of 31 December 2023 was loans to customer-net amounting to Rp52,259 billion, or accounted for 41.68% of the total asset. Compared to a year earlier, the loan to customers-net was down 2.38%. The fall was primarily due to lower working capital loan.

Meanwhile, the gross non-performing loans (NPL) ratio stood at 3.57% as at the end of 31 December 2023, an improvement against a ratio of 3.95% in 2022. This was mainly due to a decrease in the amount of non-performing loans by Rp291 billion or 13.07%, despite lower balance of total loans to customers.

Loan composition by type

Type	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Working Capital	40,686	74.71%	42,701	75.76%	(2,015)	-4.72%
Investment	10,160	18.66%	9,749	17.30%	411	4.22%
Consumer	3,042	5.59%	3,287	5.83%	(245)	-7.45%
Employee	568	1.04%	624	1.11%	(56)	-8.97%
Total	54,456	100.00%	56,361	100.00%	(1,905)	-3.38%

Loans composition by economic sectors

In terms of loan disbursements by economic sector, the industry sector was the largest contributor, accounted for 41.23% of the total gross loans, or Rp22,454 billion.

Detailed loan composition by economic sectors can be seen on note 17.b in the audited financial statements of this annual report.

FINANCIAL PERFORMANCE REVIEW

Loan based on the classification of collectability

Collectability	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Performing Loan	52,520	96.44%	54,134	96.05%	(1,614)	-2.98%
Current	51,094	93.82%	52,933	93.92%	(1,839)	-3.47%
Special Mention	1,426	2.62%	1,201	2.13%	225	18.73%
Non-performing loan	1,936	3.56%	2,227	3.95%	(291)	-13.07%
Substandard	1,019	1.88%	80	0.14%	939	1,173.75%
Doubtful	45	0.08%	28	0.05%	17	60.71%
Loss	872	1.60%	2,119	3.76%	(1,247)	-58.85%
Total Credit	54,456	100.00%	56,361	100.00%	(1,905)	-3.38%
NPL Ratio – gross	3.57%	n/a	3.95%	n/a	-0.38%	n/a
NPL Ratio – net	0.78%	n/a	0.64%	n/a	0.14%	n/a

Liability

Composition of Liabilities	31 December 2023	31 December 2022	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Deposits from customers	86,319	90,188	(3,869)	-4.29%
Deposits from other banks	3,932	3,357	575	17.13%
Securities sold under repurchase agreement	-	42	(42)	-100.00%
Derivative payables	279	466	(187)	-40.13%
Acceptance payables	1,542	2,095	(553)	-26.40%
Income tax payables	173	34	139	408.82%
Accruals and provisions	604	543	61	11.23%
Other liabilities	2,467	2,339	128	5.47%
Borrowings	9,469	7,550	1,919	25.42%
Subordinated debts	1,155	1,168	(13)	-1.11%
Employee benefits obligations	452	449	3	0.67%
Total Liabilities	106,392	108,231	(1,839)	-1.70%

The Bank's total liabilities amounted to Rp106,392 billion as of 31 December 2023. The liabilities in 2023 were dominated by customer deposits at 81.13% of total liabilities.

Deposits from customers

Customer deposits reached Rp86,319 billion as of the end 2023 or fell by 4.29% from 2022. The drop was contributed by decreasing balance of demand deposits and savings by Rp4,039 billion and Rp1,654 billion, respectively, which was partially offset with higher balance of time deposits and on call deposits by Rp1,824 billion. The ratio of Demand Deposits and Savings to Time Deposits and On Call Deposits was 61%:39%.

Deposits from Customers	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Demand Deposits	39,048	45.24%	43,087	47.77%	(4,039)	-9.37%
Savings	13,885	16.08%	15,539	17.23%	(1,654)	-10.64%
Time Deposits and On Call Deposits	33,386	38.68%	31,562	35.00%	1,824	5.78%
Total	86,319	100.00%	90,188	100.00%	(3,869)	-4.29%

Demand Deposits

Based on currency, demand deposits in Rupiah had the largest contribution at 70.29% of the total, or Rp27,448 billion.

Currency	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Rupiah	27,448	70.29%	28,518	66.19%	(1,070)	-3.75%
Foreign currency	11,600	29.71%	14,569	33.81%	(2,969)	-20.38%
Total	39,048	100.00%	43,087	100.00%	(4,039)	-9.37%

Savings

The balance of savings as of 31 December 2023 was Rp13,885 billion. A majority of savings was in foreign currency, or accounted for 54.20% of the total.

Currency	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Rupiah	6,359	45.80%	6,681	43.00%	(322)	-4.82%
Foreign currency	7,526	54.20%	8,858	57.00%	(1,332)	-15.04%
Total	13,885	100.00%	15,539	100.00%	(1,654)	-10.64%

Time Deposits and On Call Deposits

The balance of time deposits and on call deposits as of 31 December 2023 was Rp33,386 billion.

Based on the contractual term, time deposits and on call deposits were dominated by one-month period, which was accounted for 57.01% of the total.

Period	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
1 month	19,032	57.01%	23,138	73.31%	(4,106)	-17.75%
3 months	8,328	24.94%	6,642	21.04%	1,686	25.38%
6 months	5,409	16.20%	1,210	3.83%	4,199	347.02%
12 months	617	1.85%	572	1.81%	45	7.87%
Total	33,386	100.00%	31,562	100.00%	1,824	5.78%

Equity

The Bank's equity stood at Rp18,986 billion at the end of 2023, increasing by Rp1,235 billion or 6.96% from the previous year, mainly due to higher retained earnings following an increase in the bank's net profit.

The increase was reflected in the Bank's Capital Adequacy Ratio (CAR), which stood at a healthy level of 25.75%.

Equity Composition	31 December 2023	31 December 2022	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Share capital	10,586	10,586	-	0.00%
Additional paid-in capital - net	258	258	-	0.00%
Other comprehensive loss - net	(61)	(84)	(23)	-27.38%
Retained earnings:				
Appropriated	96	77	19	24.68%
Unappropriated	8,107	6,914	1,193	17.25%
Total Equity	18,986	17,751	1,235	6.96%

FINANCIAL PERFORMANCE REVIEW

Statement of Profit or Loss and Other Comprehensive Income

Description	31 December 2023	31 December 2022	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Interest Income	7,040	4,993	2,047	41.00%
Interest Expenses	(2,619)	(1,246)	(1,373)	110.19%
Net Interest Income	4,421	3,747	674	17.99%
Fees and commission income	1,075	1,141	(66)	-5.78%
Other operational income	1,508	1,139	369	32.40%
Total operating income	7,004	6,027	977	16.21%
Impairment losses on financial assets - net	(442)	(33)	(409)	1,239.39%
Total operating expenses	(3,413)	(3,524)	111	-3.15%
Profit before tax	3,149	2,470	679	27.49%
Income tax expenses	(701)	(567)	(134)	23.63%
Net profit of the year	2,448	1,903	545	28.64%
Other comprehensive income/(loss), net of tax	24	(435)	459	-105.52%
Total comprehensive income for the year	2,472	1,468	1,004	68.39%

Interest Income

Interest income rose by 41.00% or Rp2,047 billion in 2023 as a positive impact following high interest rates environment in 2023.

Interest Income	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Loan to customers	4,062	57.70%	3,074	61.57%	988	32.14%
Investment securities	722	10.26%	874	17.50%	(152)	-17.39%
Securities purchased with agreement to resell	1,136	16.14%	504	10.09%	632	125.40%
Placements with Bank Indonesia	788	11.19%	421	8.44%	367	87.17%
Others	332	4.71%	120	2.40%	212	176.67%
Total	7,040	100.00%	4,993	100.00%	2,047	41.00%

Interest Expenses

Interest expenses amounted to Rp2,619 billion, soaring by 110.19% or Rp1,373 billion. The increase in interest expenses was mainly due to higher balance of time deposits and borrowings. It was also a result of high interest rates in 2023.

Interest Expense	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Demand deposits	383	14.62%	246	19.74%	137	55.69%
Saving accounts	88	3.36%	84	6.74%	4	4.76%
Time deposits and deposits on call	1,395	53.26%	609	48.88%	786	129.06%
Borrowings and subordinated debt	612	23.37%	249	19.98%	363	145.78%
Others	141	5.39%	58	4.66%	83	143.10%
Total	2,619	100.00%	1,246	100.00%	1,373	110.19%

Net Interest Income

The Bank successfully booked net interest income of Rp4,421 billion as of 31 December 2023. To maintain net interest income, the Bank has proactively reviewed its funding composition on a regular basis in order to manage funding costs and maintain Net Interest Margin (NIM) at an optimum level.

Non-Interest Income

The Bank recorded higher non-interest income of Rp2,583 billion in 2023, mainly driven by an increase of Rp369 billion in other operating income. The rise mostly came from trading income, as a result of strong fixed income performance and high demand for Indonesian Bonds during 2023.

Non-Interest Income	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Net fees and commissions income	1,075	41.62%	1,141	50.04%	(66)	-5.78%
Other operating income	1,508	58.38%	1,139	49.96%	369	32.40%
Total	2,583	100.00%	2,280	100.00%	303	13.29%

Impairment Losses of Financial Assets - Net

The Bank's impairment losses of financial assets amounted to Rp442 billion in 2023, much bigger from a loss of Rp33 billion in 2022. This was mainly due to higher impairment losses for wholesale stage 3 customers.

Operating Expenses

The biggest component of operating expenses was employee expenses, which was accounted for 49.34% of the total. The Bank's operating expenses amounted to Rp3,413 billion in 2023, down 3.15% or Rp111 billion from a year earlier. The decrease was partly due to lower general and administrative expenses, as well as depreciation and amortisation expenses. Higher general and administrative expenses in 2022 was caused by expenses of several projects, whether it was a one-off project or related to technology development.

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

Operating Expenses	2023		2022		Growth	
	Rp Billion	%	Rp Billion	%	Rp Billion	%
Employees expenses	1,684	49.34%	1,694	48.07%	(10)	-0.59%
General and administrative expenses	1,558	45.65%	1,615	45.83%	(57)	-3.53%
Depreciation expenses of properties and equipment	161	4.72%	193	5.48%	(32)	-16.58%
Amortisation expenses of intangible asset	10	0.29%	22	0.62%	(12)	-54.55%
Total	3,413	100.00%	3,524	100.00%	(111)	-3.15%

Profit Before Tax

The Bank's profit before tax stood at Rp3,149 billion in 2023, rising 27.49% from the previous year. The increase was mainly due to higher net interest income and non interest income, as well as lower operating expenses, which was partially offset by higher impairment losses of financial asset.

Net Profit

The Bank recorded a net profit of Rp2,448 billion in 2023, increasing by Rp545 billion or 28.64% from 2022. This positive achievement was in line with higher profit before tax, as explained earlier.

FINANCIAL PERFORMANCE REVIEW

Statement of Comprehensive Income

The Bank recorded total comprehensive income of Rp 2,472 billion in 2023, rising by Rp1,004 billion from 2022. The increase was in line with higher net profit and an unrealised gain (investment securities at fair value through other comprehensive income), as compared to an unrealised loss of Rp436 billion last year. Below is a statement of comprehensive income.

Description	31 December 2023	31 December 2022	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Net profit for the year	2,448	1,903	545	28.64%
Other comprehensive income:				
Investment securities at fair value through other comprehensive income				
- Profit/(Loss) during the year	23	(436)	459	-105.28%
Remeasurements from post-employment benefits obligation:				
Actuarial (loss)/profit during the year	1	1	-	0.00%
Other comprehensive income/(loss), net of tax	24	(435)	459	-105.52%
Total Comprehensive Income for the Year	2,472	1,468	1,004	68.39%

Statement of Cash Flows

Description	31 December 2023	31 December 2022	Growth	
	Rp Billion	Rp Billion	Rp Billion	%
Cash flow from Operating activities	(1,435)	(586)	(849)	144.88%
Cash flow from Investing activities	(6,013)	6,955	(12,968)	-186.46%
Cash flow from Financing activities	678	(3,265)	3,943	120.77%
Net Increase in Cash and Cash Equivalent	(6,770)	3,104	(9,874)	-318.11%
Effect of Foreign Exchange Rate Fluctuation on Cash	(170)	921	(1,091)	-118.46%
Cash and Cash Equivalent, January 1	35,629	31,604	4,025	12.74%
Cash and Cash Equivalent, December 31	28,689	35,629	(6,940)	-19.48%

At the end of 2023, the Bank recorded Rp28,689 of cash and cash equivalents.

Cash Flow from Operating activities

Cash used for operational activities amounted to Rp1,435 billion in 2023, an increase from Rp586 billion in 2022. This was mainly due to lower balances in customers deposits, as well as an increase in export bills and assets measured at fair value through profit or loss. This was part of banking activities in general.

Cash Flow from Investing activities

Cash used for investing activities was Rp6,013 billion in 2023. Meanwhile in 2022, the Bank obtained net cash amounted to Rp6,955 billion from investing activities. This was due to significant increase in purchase of investment securities during the year, compared to the previous year.

Cash Flow from Financing activities

Net cash from financing activities amounted to Rp678 billion in 2023. Meanwhile in 2022, net cash used for financing activities amounted to Rp3,265 billion. The shift to net cash inflow in 2023 was mainly due to higher net cash flow from borrowings, which was amounted to Rp1,292 billion, and supported by lower net cash flow used for cash dividend payment by Rp2,621 billion. The dividend amount was lower than the previous year since the Bank paid a special cash dividend of Rp2.97 trillion in 2022.

OTHER MATERIAL FINANCIAL INFORMATION

Capital Structure and Management's Policy on Capital Structure

In calculating the capital requirement for 2023, 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 throughout the reporting period.

The capital positions required by Bank regulators in accordance with the applicable regulations as of 31 December 2023 are as follows: requirements set throughout the reporting period.

Minimum Capital Adequacy

Tier 1 Capital	31 December 2023	31 December 2022
Share Capital	10,586	10,586
Additional paid-in capital	258	258
General reserve	96	77
Retained earnings	5,658	5,011
Profit for the period	2,448	1,903
Other comprehensive loss	(49)	(72)
Negative differences between regulatory provision and allowance for impairment losses on productive assets	-	-

Tier 1 Capital	31 December 2023	31 December 2022
Non-earning asset provision that should be calculated	(83)	(83)
Deferred tax calculation	(409)	(326)
Other intangible assets	(143)	(72)
Tier 2 Capital		
Capital instrument such as shares, subordinated debts or others meeting the requirement of Tier 2 capital	756	998
General allowance for earning assets	712	738
Total Capital	19,830	19,018
RWA		
Credit risk	67,893	62,461
Market risk	955	961
Operational risk	8,164	12,433
Total RWA	77,012	75,855
Capital Adequacy Ratio	25.75%	25.07%
CET 1 Ratio	23.84%	22.78%
Tier 1 Ratio	23.84%	22.78%
Tier 2 Ratio	1.91%	2.29%
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%

As stipulated in OJK Regulation Number 11/POJK.03/2016 Article 2 point 5, the Bank calculates minimum capital based on the risk profile as of December 2023 by using the risk profile position in June 2023.

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 2023, the Bank's CAR was at 25.75%, which was much higher than the mandatory minimum capital of 9% to less than 10%.

Ability to Repay Debt and Accounts Receivable Collectibility

Ability to Repay Debt

The Bank's ability to fulfil all obligations, both long term and short-term loans, is measured by liquidity and solvency ratio. Until the end of 2023, the Bank's ability to repay debt was considered as good based on assessment from both ratios.

The Bank's liquidity level, measured by the ratio of loans to deposits, stood at 62.79%. The Bank will always maintain the balance between funding needs and provisions of funds. The Bank also diversifies its funding by securing long-term borrowings to support the Bank's liquidity.

Liquidity and Solvency

To measure the Bank's financial ability to meet its obligations when they are due, the Bank uses several liquidity ratios such as Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The Bank uses NSFR to monitor funding risks and LCR to monitor daily liquidity risks. As of 31 December 2023, the Bank's NSFR and LCR stood at 187.07% and 352.29%, respectively.

Liquidity Ratio

Description	2023	2022
Loan to Deposit Ratio (LDR)	62.79%	62.49%
Liquidity Coverage Ratio (LCR)	352.29%	343.11%
Net Stable Funding Ratio (NSFR)	187.07%	182.17%
Low-cost fund Ratio	61.32%	65.00%

Solvency ratio indicates the Bank's ability to meet all liabilities, by comparing these liabilities to total assets and liabilities to equity.

Solvability Ratio

Description	2023	2022
Ratio of Liabilities to Total Assets	84.86%	85.91%
Ratio of Liabilities to Equity	560.37%	609.73%
Leverage ratio	12.98%	12.04%

Loan Collectability

As of 31 December 2023, the Bank's gross Non-Performing Loan (NPL) ratio was at 3.57%, while its net NPL ratio was at 0.78%.

Information on Material Transactions with Conflicts of Interest or Transaction with Affiliated Parties/Related Parties

Throughout 2023, there were no material transaction that can cause conflict of interest.

Details on the nature of relationship and type of transactions with affiliated parties as of 31 December 2023 can be referred to note 42 of the Audited Financial Statements.

Dividend Policy

Based on the Articles of Association and Law on Limited Liability Companies, all shareholders have the same and equal rights, including to receive dividends. Dividends distribution will depend on the Bank's cash flows and investment plan, and will refer to Indonesian laws and other requirements. With the consideration of financial capability and condition from time to time, the Bank may revisit and change the dividend policy in accordance with prevailing laws and regulations.

In 2023, the Bank approved to distribute cash dividends amounted to Rp1.2 trillion to the entitled shareholders.

Employee Share Ownership Program

During 2023, the Bank did not carry out the employee share ownership program.

Information and Material Events Subsequent to Audit Report Date

There were no material events subsequent to the Audit Report date 26 March 2024.

Changes in Accounting Policies Implemented in 2023

Unless stated below, the accounting policies applied for the year-ended 31 December 2023 were consistent with those of the annual financial statements for the year ended 31 December 2022, which conform to the Indonesian Financial Accounting Standards.

The Board of Financial Accounting Standard -Indonesia Institute of Accountants (DSAK-IAI) has issued revisions on the following accounting standards, which are effective on 1 January 2023:

- Amendment to SFAS 1, "Presentation of Financial Reports" – Disclosure of Accounting Policies
- Amendment to SFAS 16, "Fixed assets" about yield before intended use
- Amendment to SFAS 25, "Accounting Policies, Changes in Accounting Estimates, and Errors" – Definition of accounting estimates
- Amendment to SFAS 46, "Income Tax" - Deferred Tax related to Assets and Liabilities arising from Single Transaction

The implementation of the above accounting standards did not result in substantial changes to the Bank's accounting policies and had no material impact to the financial statements.

BUSINESS OUTLOOK

The global economy is forecast to have steady growth in 2024. Both the US and China, the world's two largest economies, are likely to see slower growth, while the euro area may see economic activities rebound after a challenging 2023 impacted by high energy prices and tight monetary policy. The IMF forecast global growth of 3.1% in 2024, the same rate as in 2023 but 0.2% higher than its previous projection.

Developed economies are expected to have a slight decline in growth by 0.1% to 1.5%, as the US economy sees a moderation of growth as it is starting to feel the impact of monetary policy tightening and gradual fiscal tightening, as well as softening labour markets. The euro area, meanwhile, will likely recover as the shock to energy prices subsides. Japan and the UK technically entered recessions in early 2024 after reporting the second consecutive negative quarter of GDP.

Growth in emerging markets is seen to remain at 4.1% in 2024, despite China's struggle with the property crisis. China is expected to see growth fall to 4.6% in 2024, following a rebound in the previous year after it reopened the economy post-pandemic. The Chinese government must continue dealing with the property crisis and weaker demand for its exports. India, meanwhile, is forecast to have resilient growth at 6.5%, a slight decline from the previous year.

Global inflation is expected to continue falling in 2024 to 5.8%, with advanced economies seeing faster disinflation compared to emerging markets. The IMF contributed to the decline in inflation due to lower core inflation as a result of tight monetary policies, softening labour markets, and pass-through effects from declining energy prices, although these would differ by country. Policymakers need to keep inflation in check through appropriate monetary policy responses and monitoring of geopolitical tensions in Ukraine and the Red Sea.

World trade volume (in goods and services) is expected to increase to 3.3% in 2024, after a slump to 0.4% in 2023, according to the IMF. The WTO initially forecast in October 2023 that merchandise trade growth would be 0.8% for 2023 and 3.3% for 2024, but now it believes the estimates are too optimistic considering the geopolitical tensions in the Red Sea and the less buoyant global economy. However, goods trade in 2024 should still be higher than in the previous year.

In Indonesia, the government targets an economic growth of 5.2% for 2024, up from 5.05% in 2023, as domestic consumption and investment are expected to remain strong. The general and presidential elections held in early 2024 would drive consumption as political parties boosted spending to engage with the voters. Meanwhile, the government has continued to accelerate the National Strategic Projects (PSN), including the development of the new capital IKN in East Kalimantan, in the last year of President Joko Widodo's final term. Export performance will depend on the price of Indonesian-leading export goods.

Inflation has been manageable for the past year as the central bank tightened monetary policy and the government controlled prices. Bank Indonesia raised the benchmark BI rate by 50 bps in 2023 to 6% as of December 2023 in an attempt to stabilise the rupiah currency and anchor inflation. Inflation in 2023 stood at 2.61% in December, and Bank Indonesia targets inflation at a range of 1.5% to 3.5% for 2024. Inflation in January was 2.57%, according to the BPS.

The rupiah is expected to be roughly stable in 2024 at the back of not-positive view to the currency at the back of projected rate cut by 100 bps during the year and Indonesia's foreign exchange reserves were also in downward trend in line with the declining export volumes. This makes the currency more sensitive to bouts of external market volatility, which are likely in 2024 amid still-high global inflation, sluggish global growth conditions, and geopolitical uncertainty. Bank Indonesia has launched various financial instruments to attract foreign inflows and deepen the financial market. Analysts expect Indonesian assets to remain attractive in 2024, which may drive up the Jakarta Composite Index, which touched a record high on 28 December 2023.

The Investment Ministry targets Rp1,650 trillion in investment into the country in 2024, after booking Rp1,419 trillion in investment in 2023. Most of the investment went into base metals and metal products, indicating that the government's move to add value to the country's raw materials is justified. Smelter construction has continued to run across the archipelago. The government's effort to encourage the use of electric vehicles has also started to bear fruit, with more adoption of electric cars as EV makers slash prices to tempt buyers.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

The S&P Global Indonesia Manufacturing PMI rose to 52.9 in January 2024 from 52.2 in the prior month. It was the 29th straight month of growth in factory activity and the strongest pace since last August, as faster new order growth, coupled with better supply conditions, led to production growing at the fastest pace in two years. Buying levels rose the most in five months, while new export orders rose marginally. Sentiment also stayed positive.

The affirmation by Fitch Ratings to maintain Indonesia's long-term foreign-currency issuer default rating (IDR) at 'BBB' with a stable outlook indicates the confidence in Indonesia's economy. The ratings agency expects GDP growth to remain broadly stable and inflation to stay under control in 2024. Monetary and fiscal policies will likely remain supportive of macro stability for the remainder of the year.

The banking sector is expected to remain resilient in 2024, with loan growth estimated at between 9% and 11% and third-party fund growth at between 6% and 8%, according to the OJK. Loan growth reached 10.38% in 2023, driven by investment and working capital loans. Loan quality improved from the previous year, as indicated by the gross non-performing loan ratio. The return on assets (ROA) also increased. The OJK wants to

further regulate the financial sector, including financial conglomerates, to mitigate potential risks.

The OJK has put emphasis on moving towards sustainable finance and supporting the transition to a low carbon economy. The financial system is an important element in this regard. The OJK has launched various initiatives to create an ecosystem that is supported with appropriate policies and regulations which align the interests of economy, environment, and social. Banks have supported this move and taken into account environment, social, and governance (ESG) factors into business or investment decisions.

The general and presidential elections in Indonesia took place peacefully in February 2024. Investors have responded favourably to the political situation in Indonesia thus far. Over the past 9 years, the current government has focused on positioning Indonesia as a strong economic force on the global stage by investing heavily in infrastructure, such as constructing new capital and supporting projects in electric vehicle manufacturing. In the coming months, investors need to know about the developments in the upcoming government administration. Fitch Ratings said the new government of president-elect Prabowo Subianto will maintain focus on infrastructure development and will continue supporting commodity downstreaming.

RISK MANAGEMENT

RISK EXPOSURE AND CAPITAL

A. DETERMINING MODEL AND RISK PROFILE INTERACTIONS

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

Risk Appetite supports senior management to optimally allocate capital, funding, and liquidity to finance strategic growth within acceptable risk levels, while monitoring exposure of Non-Financial Risks, which may impact the Bank's customers or lead to suboptimal returns to shareholders, regulatory censure and reputational damage should exposures exceed the established thresholds.

In addition to that, the Bank has implemented various risk measurement parameters both in measuring the Bank's risk level as well as other mechanisms accommodated in Risk Appetite Statement Monitoring.

Risk Appetite Statement is reviewed semi-annually 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 meetings. 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.

B. RISK GOVERNANCE STRUCTURE

Risk Management Working Unit (SKMR)

The Bank also has a Risk Management Working Unit (SKMR), which is a unit that is independent from the operational work unit (risk-taking units) and other working units that carry out the internal control function.

SKMR oversees the management of Credit Risk, 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 the following:

- Monitoring the implementation of the risk management strategy as approved by the Risk Management Committee meeting or Board of Directors;
- Monitoring overall positions/exposures to risks;
- Conducting periodic reviews of the risk management process;
- Applying stress testing to find out the impact of the implementation of risk management policy and strategy;
- Reviewing proposals for new activities and/or products submitted or developed by a particular unit;
- Giving recommendations on the extent or maximum of risk exposure that shall be maintained to the Risk Management Committee;
- Evaluating the accuracy and validity of data used for risk measurement; and
- Preparing and submitting a risk profile report to the Risk Management Director and the Risk Management Committee.

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 the Board of Directors on the activity, and is responsible for the implementation and monitoring of overall risk management. This committee functions as the governing body for the overall risk management of the Bank with focus on risk culture, risk appetite, risk profile, and integration of risk management approach with the 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. The committee has full responsibility for the establishment and implementation of enterprise-wide risk management and ensures that all risks of the Bank are properly managed.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Authority and Responsibility of RMC

- To be informed and to consider the risk management reports, which include enterprise-wide key issues and common themes identified across the Bank;
- To perform assessment and provide recommendations to the Board of Directors with respect to risk management, which at least cover: a) formulation of Risk Management policy, strategy, and guidance with its amendments; b) enhancement or improvement of Risk Management implementation based on evaluation; c) establishing guidelines related to business decisions that deviate from normal procedures;
- To consider relevant reports and the latest updates pertaining to key risks and issues across the Bank and across all three lines of defence, commissioning further review where required;
- To ensure that risk management practices support the desired conduct and culture outcomes.

(ii) Integrated Risk Management Committee

In regards to the implementation of a comprehensive Integrated Risk Management in accordance with the regulation of POJK No. 17/POJK.03/2014 concerning the Implementation of Integrated Risk Management for Financial Conglomerates, which as partially revoked by POJK No. 45/POJK.03/2020 concerning Financial Conglomerates, the Main Entity, which in this case is PT Bank HSBC Indonesia, is required to establish the 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 included in the Financial Conglomerates.

The Integrated Risk Management Committee is chaired by the Risk Management Director and consists of representatives from the Board of Directors as well as other executive officers who are appointed as members of the Main Entity as well as other executive officers, such as Compliance Director and Finance Director, and Head of Risk Management & Risk Regulatory Engagement. Included in the membership are Directors or the designated representative of the entity included in the Financial Conglomerations (currently PT HSBC Sekuritas Indonesia).

Authority and Responsibility of the Integrated Risk Management Committee

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

(iii) Risk Oversight Committee (ROC)

The Board of Commissioners establishes the Risk Oversight Committee to oversee risk related matters and the enterprise risks impacting the Bank, risk governance, and internal control system (other than internal financial control system). 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 who is appointed by the Board of Commissioners and may have a concurrent role as Chairman of 1 (one) other committee established 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 Responsibility of ROC

- To evaluate the consistency between risk management policies and the implementation of the Bank's policies.
- To monitor and evaluate the performance duties of the Risk Management Committee and Risk Management Working Unit.
- To provide oversight and advice to the Board of Commissioners (BOC) on:
 1. Risk related matter;
 2. Risk Appetite;
 3. Stress Testing;
 4. Enterprise Risk Management Framework and Internal Control System
 5. Monitoring the effectiveness of Risk Management Director and Risk Management Function;
 6. Internal Audit;
 7. External Audit;
 8. Annual Report.

Other Responsibilities of Risk Oversight Committee, including but not limited to:

1. Annual Review of Terms of Reference and Committee Effectiveness

Risk Oversight Committee shall review its term of reference and its own effectiveness and recommend to the Board of Commissioners any necessary changes, at least once in 3 (three) years.

2. Reporting to Board of Commissioners
The Risk Oversight Committee will report to the Board of Commissioners on the matters set out in ROC terms of reference and will provide additional oversight as it may reasonably be required regarding the effectiveness of the risk management function.

3. Overlapping responsibilities
Where there is a perceived overlap of responsibilities between the 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.

C. RISK MANAGEMENT COMMUNICATION AND PROCEDURES

Adequacy of Risk Management Policies and Procedures

Overview on the Bank's Risk Management Policy

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

Risk Culture Guiding Principle

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

In addition, the Bank's Risk Culture Guiding Principle is established to identify weaknesses and deviations earlier and reassess the existing policies and procedures on an ongoing basis.

Risk Culture

The Bank defines culture as the shared attitudes, beliefs, values, and norms that shape behaviour. The Bank's culture is rooted in purpose and shaped by values: We value difference; We succeed together; We take responsibility; and We get it done. These values guide Bank's actions, underpin the culture and clarify the behaviours that the Bank promotes, rewards, and encourages. The behaviours underpinning the Bank's values are designed to support a wide range of outcomes – including an effective risk culture to manage risk and that leads to good conduct outcome. The Bank is led by example, and it is fundamental that Bank's leaders and managers set role model expectations revolving behaviour and identifying and managing risk. That is why the Bank also provides a clear set of Leadership Expectations.

The Bank's risk culture is not distinct from its organisational culture – the risk culture is the lens through which we apply our shared behaviours and values in the context of risk management. It is the Bank's risk management framework brought to life. It is most clearly expressed through our behaviours that support robust risk-based decision making and day-to-day risk management, across all three Line of Defence (LOD).

Eight risk behaviours, based on those that already underpin the Bank's values, help everyone better understand in practise what good risk culture looks like.

• We take responsibility

1. Accountability and Leadership – We are all accountable for managing risk – “risk is everyone's business”. Bank's leaders set the tone from the top and we all understand, embrace, and discharge our responsibilities;
2. Speak Up and Act – We speak up and act when something is not right about how we are managing risk and escalate issues promptly without fear of retribution;
3. Good Judgement - We make good judgements by looking at risk holistically and considering different perspectives, always keeping customer and market outcomes in mind. The decision framework can help us make good decisions.

• We get it done

4. Taking Smart Risk - We take smart risks that balance risk and financial return and do not exceed our risk appetite;
5. Governance and Controls - We actively manage risk by understanding and adhering to our policies, controls and regulatory environment;
6. Learning and Remediation - We have the curiosity to identify vulnerabilities, uncertainties, and emerging risks. We learn from our mistakes, share those learnings, and ensure we remediate issues quickly and appropriately.

- **We value difference**
 7. Diversity - We champion diversity of viewpoints and inclusivity in risk policies, governance, and decision making;
- **We succeed together**
 8. Reward and Recognition - We invest in our people and tools to help manage risk better, and celebrate behaviours that support a strong risk culture.

Three Lines of Defence

In order to strengthen Risk Culture, the Bank through PT Bank HSBC Indonesia's Risk Culture Guiding Principle which consists of the concept for 'Three Lines of Defence', put a main focus to strengthen proactive risk management behaviour across the First Line and the Second Line in managing and overseeing all Financial and Non-Financial Risks.

The 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 perform 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 fulfil existing compliance aspects of the working unit against applicable regulations and policies.

The First Line of Defence is business and function units that are the ultimate owners for risk and control, including read across assessment of identified issues, event and near misses, and the delivery of good conduct outcomes.

The Second Line of Defence is all the function units that provide subject matter expertise, advice, guidance, review and challenge the First Line of Defence's activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The Second Line of Defence is independent of the risk-taking activities undertaken by the First Line of Defence. Due to the nature of the works, some Functions might also perform proactive risk management which is part of the First Line of Defence. Proper segregation of roles is made in Functions to avoid the conflict between both Roles for similar risk. The Second Line of Defence units widely cover Financial Risk oversight such as Wholesale Credit Risk, Traded and Treasury Risk, Retail Credit Risk and Non-Financial Risk oversight for example Operational and Resilience Risk, Compliance, Human Resources, Finance, and Legal.

Risk Steward sits within many Functions in the Bank and is part of the Second Line of Defence is accountable for setting policy and control standards to manage risks, provide advice and guidance to support these policies, and question and monitor the First Line of Defence to ensure it is managing risk effectively.

The Third Line of Defence is the Internal Audit Unit (SKAI), which provides independent assurance to the management, Board of Commissioners, and Audit Committee as to whether the risk management, governance and internal control processes are designed and operated effectively.

Socialisation of Risk Management

The Bank continuously socialises 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, including trainings in order to increase risk management competence which are the Risk Management Certification Program as well as Risk Management Certification Maintenance/Refreshment Program, as required and mandatory e-learning training related to risk awareness such as: Risk Management, Cyber Security Risk, Data Literacy, Financial Crime Risk including Anti Money Laundering & Sanction, Anti Bribery & Corruption, and Compliance and Reputational Risk.

D. SCOPE AND MAIN FEATURES OF RISK MEASUREMENT SYSTEM

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

Risk Identification

The purpose of risk identification is to identify all types of inherent risks to any functional activity that could potentially harm the Bank. Things to consider as follow: being proactive and not reactive, 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 risk management implementation effectiveness.

Points that are measured include: product/ activity sensitivity to changes in influencing factors; tendency to change those factors based on the fluctuation of changes occurring in the past and its correlations; individual risk factors and aggregate risk exposure with risk correlation consideration; and all inherent risks to all transactions and products which are integrated in the Bank's management information system.

The method employed by the Bank in the risk measurement is related to the type, scale and complexity of the business activities, capability of data collecting system as well as capability of the relevant Bank Officer to understand the limitation of the final results of the risk measurement system adopted.

Risk Monitoring

Risk monitoring is carried out to ensure risk limits while at setting and monitoring, has taken into consideration loss experience, ability of capital to absorb loss/risk 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 is measured accurately, informatively, and in a timely manner.
- Compliance of risk management implementation of related risk policies, procedures, and limits.
- 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's 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 Commissioners is Enterprise Risk Report which consists of:

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

The reports are submitted to the Risk Management Committee on a monthly basis and to the Risk Oversight Committee on a quarterly basis.

F. STRESS TESTING

The Bank regularly conducts stress tests to assess the resilience of our balance sheet and capital adequacy that also covers Risk Weighted Assets (RWA), which has considered credit, market and operational risks, as well as to provide actionable insights into how key elements of the Bank's portfolios may behave during crisis.

Stress testing scenarios can be in the form of changes in macroeconomic conditions, market-wide or sensitivity analysis to specific factors (idiosyncratic) or a combination of market-wide and idiosyncratic. The Bank uses the outcome to calibrate our risk appetite and to review the robustness of our strategic and financial plans, helping to improve the quality of management's decision making. Stress testing analysis assists the management in understanding the nature and existent vulnerabilities to which the Bank may be exposed. Known risks resulting from stress testing also drive recovery planning to enhance the Bank's financial stability under various scenarios.

G. RISK MANAGEMENT STRATEGY AND PROCESS

The Bank in formulating the risk management strategy focuses on risk culture, risk appetite, risk tolerance, risk profile, and the alignment of the risk management approach into the Bank's strategic objectives.

The risk management strategy shall be prepared:

1. To ensure the Bank's risk exposure is at or below the risk exposure level determined in accordance with the Bank's internal policies and procedures as well as the prevailing laws and regulations.
2. Based on the following general principles:
 - Comprehensively able to control and manage the Bank's risks;
 - Achieve the expected capital structure and level, adequate resource allocation and other objectives; and
 - Shall be sustainable and applicable in the long term for various economic conditions/ cycles.
3. By taking into account the following factors:
 - Economic conditions and the impact on the Bank's risks,
 - The Bank's financial condition, the Bank's organisation, the ability to generate profit and the ability to identify, monitor and control risks that arise as a result of the changes in internal and external factors,
 - Mixed and diversified portfolios of the Bank.

RISK MANAGEMENT PRACTICE

Management of Eight Primary Risk Types

The 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 guidelines for each 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 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

Credit risk is an important risk category, considering the bank's business model, product and services which are continuously growing and becoming more complex and variative.

The bank has a business line of Wholesale Banking (WSB), Wealth and Personal Banking (WPB) dan Market and Securities Services (MSS). During 4th quarter 2023, there was a credit concentration towards manufacturing industry (41.43%) and corporate business segment (58.95%). On the other side, there was also a credit concentration towards core debtors at an amount of 60.91%. Nevertheless, this concentration is acceptable due to the credit concentration is dominated by State Owned Enterprises (SOE), blue chip companies and international companies that have strong credit profile and in accordance with the bank's sector appetite. As for the SOE in question, they are from the sectors of telecommunication, oil & gas, and mining.

The ratio of low quality credit against total credit is at the position of 6.32%, increasing compared to previous quarter at 5.00%. This is mainly caused by a decline in total credit as much as IDR 4.5 Trillion to be IDR 54.2 trillion by December 2023, compared to 3rd quarter position of IDR 58.7 trillion.

The NPL ratio per December 2023 position was at 3.57%, increased compared to September 2023 position of 3.44%. This NPL ratio is already above the Risk Tolerance (3.5%) which has been decided by the bank.

This deterioration was caused by the drop in the outstanding figure of problem credit at an amount of IDR 85 billion to be IDR 1.94 billion. Nevertheless, there has been no new NPL debtors during 4th quarter 2023 and there was a decline in the total credit as of December 2023 at an amount of IDR 4.5 trillion to be IDR 54.2 trillion, compared to the 3rd quarter position of IDR 58.7 trillion.

The strategy for risk management is aligned with the risk level taken and risk tolerance. Currently, management has applied the concept on the principles of Three Lines of Defense as one of risk controlling. Bank has sufficient organizational means to support the implementation of effective risk management.

The first line of defence is responsible to manage the credit risk result through procedures, process, controlling and technology. This includes the ability to measure the impact it has towards the credit risk results. This line of defence is on the business line.

The second line of defence is responsible for conducting oversight, measurement, and control towards credit risk. This second line of defence is located in the Wholesale Risk function. Third line of defence is located on the internal audit function which works independently. In addition, the bank also continues credit oversight function through Portfolio Oversight Council which is held quarterly. This assists the bank in supervise the credit portfolio on the Wholesale Banking segment which can be used by the bank as a reference to decide a comprehensive credit risk mitigation policy.

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

Credit Risk Management Policy

In determining policy, the bank considers the condition of the business and economic situation that influences the bank, and also relevant regulations that come from Otoritas Jasa Keuangan (OJK), such as policies related to credit restructuring, Legal Lending Limit, Implementation of Risk Management for Commercial Bank, and Asset Quality Evaluation.

Regarding the determination of credit risk limit, the bank has determined the Risk Appetite dan Risk Tolerance for credit risk on an annual basis, following the condition and situation of the bank's business. Besides that, the bank also conducts a quarterly update on the limit figure for Referral Risk Appetite (RRA), as part of controlling exposures towards sectors that are considered high-risk.

This is part of the bank's effort in diversifying credit risk so that the bank's credit risk isn't exposed or concentrated to one or several industry sectors only.

a. Oversight

Thorough 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, the Bank has a forum named the Portfolio Oversight Council (POC) which helps the Bank to monitor credit portfolio in the Wholesale Banking segment while in the Wealth and Personal Banking segment, the Bank also has a forum called the Risk Management Meeting (RMM) as an avenue to discuss comprehensive credit risk mitigation policy and the Retail Credit Risk Forum (CRF) that assists the Bank in supervising sound lending activities in accordance to existing policy and procedures.

b. Adequacy of Policies, Procedures, and Limit

Credit policy is prepared by independent units 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 is 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 or their retail credit program 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 or their credit program operates as normal. In addition, any change in business conditions can be anticipated to mitigate the deterioration of credit quality. Meanwhile, review related to the credit program is aimed to document changes in business parameters to support product performance within the existing risk framework.

In addition to the establishment of policies and procedures, the Bank also sets limits in the credit process in accordance with the Bank's risk appetite and risk tolerance, which is arranged by the Directors as part of credit risk management strategy. 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), Referral Risk Appetite (RRA) Limit, and so on. Besides that, Directors are also responsible towards the implementation of risk management policies and risk exposures taken by the bank as a whole, including evaluating and providing strategy guidance on the credit risk management and convey the accountability report towards the Board of Commissioners regularly.

Monitoring towards the Directors are done through various forums, such as Risk Management Committee. On a monthly basis, the Directors are ensured to receive complete information regarding monitoring, progress and credit risk issues, including settlements of problem credits.

Active oversight towards the implementation of credit risk management is done through Risk Oversight Committee which is conducted at a minimum of four times a year. The oversight also covers approval and evaluation on credit risk management policy, evaluation on the implementation of credit risk management by Directors. Where needed, the Board of Commissioners will provide recommendation on specific relevant issues which are faced and to be followed up and reported in subsequent meetings.

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 behaviour, business activities, and interaction with the Bank, and external information (such as rating agencies, news, and media). Information from external rating agencies used are from Fitch, Moody's and S&P, and is to align with the group's guidance.

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

Eventhough a customer had a deterioration on their credit quality to Special Mention and can be transferred to SCU, the bank still categorizes the performing and non-performing assets based on the credit quality criteria and the length of the due date. Performing

assets comprise of 2 (two) category which are current and special mention and have a day past due ≤ 90 days. Whereas non-performing assets are credit with a rating of Sub-Standard (collectability '3'), Doubtful (collectability '4'), and Default (collectability '5') based on evaluation factors as regulated in the *Otoritas Jasa Keuangan* (OJK) Regulation. Regarding the considerations in categorizing the corporate and retail credits, this is done based on the segment under the bank, where corporate credit is for those from the Wholesale segment (MNC/ISB, LC, MME & BB), whereas retail credit is for those outside of the wholesale segment, which includes credit towards micro and individual.

For credit restructuring, this is done by the bank towards debtors which face principle and/or interest payment difficulties and the debtor still has a decent business prospect and is judged to be able to fulfill their obligation after the credit has been restructured.

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.

In retail credit, early identification of credit risk is carried out by the Retail Credit Risk team. Early identification in the form of parameters is derived from retail credit risk target plans originating from retail credit Risk Appetite.

In addition, retail credit also applies a scorecard both in the acquisition and portfolio management stages. The accuracy of this scorecard is monitored regularly so that it can help risk identification of the portfolio as a whole.

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 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 prior to approval by the Board of Commissioners.

Key risk indicators are reported and monitored regularly up to the Risk Management Committee level.

The bank has implemented an independent and sustainable review system which covers credit provision, including analysis and approval process, risk management quality control, integrity of internal rating (Credit Risk Rating/ CRR) by Wholesale Credit Approval (WCA) team, monitoring of the risk management implementation by Wholesale Credit Risk team, and credit document administration process by Wholesale Operations team. The review result and its action plan are reported towards the Director and relevant work

units. However, the bank still needs to improve its monitoring quality towards credit working unit and business unit for credit risk control. The bank has an internal audit working unit which regularly conducts review towards the credit risk process which covers credit risk management governance, credit lending operational activities, monitoring towards the fund provision and compliance towards applicable policies and procedures.

The bank continuously increases the implementation process of credit risk management in a proactive manner for both individual and portfolio level. The bank has Portfolio Oversight Council (POC) which assists the bank in supervising the credit portfolio on the Wholesale Banking segment which can be used by the bank as a reference to decide a comprehensive credit risk mitigation policy.

The bank also increases the identification process on fraud risk, where the bank has implemented Financial Fraud Reponse Framework for corporated customers. This framework provides comprehensive guidance on fraud identification, risk management process until its settlement and tracking.

The credit risk measurement system for exposure centralization is done through the HUB & CARM system. Furthermore, the bank has an internal rating (CRR) which covers qualitative and quantitative aspect to evaluate the different risk categories between debtors. The bank ongoingly develops system and procedures for distributing the complete risk measurement information so that it can be used for monitoring by relevant work units.

The credit risk management information system is presented regularly in the Risk Management Committee. This information is used by the Directors to monitor the credit risk on a portfolio basis and decide the mitigating strategy if needed. The information system is ongoingly improved to be completer and more informative so that it can be a reference to decide the method and policy for a comprehensive credit risk mitigation.

In dealing with problem credit, the bank administer the dealing results and conducts several learning sessions as an input towards the business unit or Wholesale Credit Approver unit.

The monitoring of the credit working unit (Wholesale Credit Approval) is done through sampling mechanism which is conducted every month. The sampling is done to ensure the working unit functions in adequately and fulfills the prudential standards according to the applicable policies and procedures. Nevertheless, the sampling quality results needs to be improved as part of an early identification of credit risk and as a suggestion towards the related working unit so improvements can be done where neccessary.

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

The Bank has monitoring 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 guidelines 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 a negative impact on the credit portfolio. The result of this exercise is presented to business units, for them to take anticipatory measures such as consideration for inclusion into the watchlist and discussed in the Worry, Watch, Monitor (WWM) forum.

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 Risk Management Policy

Credit concentration risk arises 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 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 complies with the Legal Lending Limit (LLL) in accordance with the OJK regulations.

In addition, the Bank has established a Risk Referral Appetite (RRA) limit for certain industries which are deemed as high-risk industries.

Policy, Procedure, and Process for Collateral Management and Appraisal

Currently, the Bank has sufficient policy and procedure related with collateral management and appraisal process. The Bank will continue updating related policy according to provisions from related regulators.

In addition, in every credit proposal, the Bank has conducted re-appraisal for all collateral accepted by the Bank in order to make sure all collaterals have been appropriated with existing policy and procedure.

Information regarding the Bank's policy for accepted collateral types is stipulated in the Bank's procedural documents, Wholesale Credit Risk Guideline and Retail Business Loan and Mortgage Guideline.

Policy on the Use of Ratings in Calculating RWA for Credit Risk

The Bank measures credit risk using the standard method in accordance with OJK Circular No. 24/SEOJK.03/2021 concerning Risk Weighted Assets Calculation for Credit Risk with Standard Approach for Commercial Banks 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 is 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 or claims towards debtors that are default. 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 or claims towards debtors that are default.

As for the claims that are due more than 90 days and not considered for impairment, this can be possible based upon consideration towards certain terms and conditions that need to be fulfilled.

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 modelling 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/impairment losses.

PSAK 71 requires the Bank 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. These classifications utilize statistical methods and approaches to calculate the impairment losses.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

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 modelling of PSAK 71 depending on the results of statistical analysis and suitability of MEV with historical data modelling 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 for Counterparty (CCP) Exposures

The Bank participates in transactions exposing us to counterparty credit risk. Counterparty credit risk is the risk of financial loss if the counterparty to a transaction defaults before satisfactorily settling it. It arises principally from over-the-counter (OTC) derivatives and securities financing transactions and is calculated in both the trading and non-trading books. Transactions vary in value by reference to a market factor such as an 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, the Bank does not actively manage the Bank's general OTC derivative counterparty exposure in the credit markets, although the Bank may manage individual exposures in certain circumstances. The Bank places 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 is the risk that movement in market risk factors such as foreign exchange rates, interest rates and credit spreads, will reduce Bank's income or portfolio value. Market risk arises on financial instruments which are measured at fair value and those are measured 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 acceptable risk.

Market risk is managed by a working unit that is independent from business and part of risk management working in the Bank, which has the responsibility to measure, monitor and report market risk exposures on a daily basis.

The Bank separates market risk exposures between the trading and banking portfolio (trading) and non-tradable (accrual). The traded portfolio includes positions arising from market formation, position-taking, and others set at market value. Non-tradable Banking portfolios include positions arising mainly from interest rate management of interest and interest-bearing assets, 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 a trading book is the risk caused by the movement of market interest rate risk on interest rate risk instruments such as bond and interest rate derivatives in the Bank's trading portfolio. Meanwhile, interest rate risk in the banking book mainly arises from the Bank's balance sheet position on holding assets and liabilities - actual or notional - with different maturity dates or repricing dates, creating exposure to changes in the level of interest rates. An over-lent position - assets repricing later than liabilities - benefits if interest rates fall and loses if interest rates rise. An over-borrowed position - liabilities repricing later than assets - benefits if interest rates rise and loses if interest rates fall. The currency exchange rate risk arises from the foreign currency exchange fluctuation that affected the Bank's open position within trading and banking portfolio.

In the context of the process of implementing Risk Management, the Bank employs 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 market factor movement on specific instruments or portfolios. The Bank uses this sensitivity measure to monitor the market risk positions within 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 to a given level of confidence. The Bank on a regular basis conducts 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 potential loss impact on portfolio values of more extreme scenarios in which 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 Capital Adequacy Ratio (CAR), the Bank refers to the applicable provisions stipulated by the Financial Services Authority (OJK).

Market Risk Limit is managed and controlled through Market Risk Limits approved by the 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 maintain 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 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 establishes the Macroprudential Liquidity Buffer (PLM) to maintain the liquidity position of the Bank, including by placing excess funds into more liquid financial instruments.
3. 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).
4. 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 parameters in accordance with the 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 independent from business and is part of the Risk Management Working Unit in the Bank. The Board of Commissioners and Board of Directors are actively participating in monitoring and ensuring the implementation of liquidity risk management is properly conducted through several committees like the Asset and Liability Committee (ALCO), Risk Management Committee, and Risk Oversight Committee. The changes in liquidity risk management, including the changes in key ratio limit are subject to regular review and discussed in the ALCO meeting.

(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.

The Bank has an Operational and Resilience Risk (ORR) Unit reporting to the Risk Management Director and is responsible to oversee the implementation of operational risk management across the Bank.

The ORR Unit will provide input to the first line of defence and work with other second-line defence units, to ensure that the quality of the risk management implemented will be in accordance with the non-financial risk management framework within the Bank.

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

Several operational risk management methods or tools were introduced to each unit to manage risks in their respective areas. Methods that have been introduced include self assessment of risk and control effectiveness, implementation of risk-based control assessment conducted by Control Owner, implementation of Key Indicators to improve control monitoring process, identification of existing risk or issues 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 sustainable risk management.

The Bank has set up Risk Appetite Statement as a standard reference and managed the operational risk profile of the Bank within risk appetite. Therefore, the Bank uses a comprehensive system consisting of Risk Control Assessment, Key Risk Indicators, Loss Event Database, and Issue and Action Management in managing operational risks.

(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 agreement conducted by the Bank due to among other reason, contracts do not accurately reflect the processes and operating systems of a product or service or contract do not accurately reflect what the parties have agreed or contract are unenforceable due to lack of capacity/authority of any contracting party; absence of and/or amendment to laws and regulations causing transaction conducted by the Bank to become not in accordance with the requirements, and litigation process whether arising from a third party lawsuit against the Bank or the Bank against a third party. To address such risk, the Bank's Legal Division, among others, performs legal aspect analysis procedures for new products and/or activities, and also reviews legal documents, 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 legal advice and 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 laws and regulations on legal risks.
4. Review of standard and non-standard agreements, contracts and other legal documents of the Bank with other parties for the purpose of the effectiveness of legal risk mitigation that may be incurred by such documents.
5. Monitor ongoing court cases (excluding bad debt recovery related cases).
6. Managing an external legal counsel panel for corporate law and litigation that assists the Bank for legal risk control. There are currently 11 external legal counsels 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 the Communications Department as the risk steward. To address this risk both internally and externally, the Communications Department works hand-in-hand with the Complaint Handling department, both for corporate and retail customers, as well as the Human Resources (HR) Department.

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 Bank products and cooperations
- d. Frequency, intensity, 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 and the Bank's website, social media analysis; customer complaints, and internally through the exchange of information activities and the Snapshot Survey.

The work units that coordinate 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 team has the authority to provide opinions regarding features, programs and products before they are launched, as well as regarding customer complaints. The Communication team 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 become 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 Board of Directors (Senior Management) for handling process monitoring. Complaints that are recorded will be discussed regularly every month in the Complaint Handling meeting forum.

Internally, the HR Department 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 of 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 business.

Written policies and procedures that meet the principles of transparency and the customer service quality improvements as well as that pertaining to 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 reputational management protocol to quickly anticipate an increased level of Reputational Risk in times of crisis. The assessment of these factors includes (a) Crisis Management Structure, and (b) Crisis Management Procedures/Manual, embedded in the Communication Instruction Guide.

The protocol also includes an early warning system mechanism to alert the management so that the Bank can deliver the necessary responses and mitigation steps.

(vii) Strategic Risk

Strategic Risk is a risk that is caused, among others, by the inaccurate determination and implementation of the Bank's strategy, inappropriate business decision-making, or the Bank's lack of responsiveness to external changes.

Strategic Risk is structured to ensure the Bank's ability to respond to environmental changes both internally and externally in the Bank's efforts to achieve its business targets. The Bank has established the Risk Management Work Unit, Risk Management Committee, and BoD meeting to monitor the implementation of the initiatives stated in the Bank's business plan.

The Bank has established guidelines for implementing the strategies that have been set to ensure the risk identification process and respond to any external or internal factors in the business environment. The Guidelines are formulated in the Bank's Business Plan (RBB) 2023-2025 and the Bank's Corporate Plan (RKB) 2021-2025 as guidelines for the Bank's short, medium and long-term growth plans for the next 5 (five) years.

Strategic risk measurement and control mechanisms are carried out by:

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

(viii) Compliance Risk

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

The Bank manages its compliance risk by establishing the Compliance Unit, which functions as the second line of defence and acts both as Control Owner and Risk Steward.

PT Bank HSBC Indonesia has the Risk Oversight Committee in the Board of Commissioners level and the Risk Management Committee in the Board of Directors level. The Committees meet regularly in the Risk Management Committee's monthly meeting and the Risk Oversight Meeting. The Compliance Director is a permanent member of the Risk Management Committee.

The Bank is also responsible to ensure the implementation of the Bank's Compliance Culture and ensure 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. The Compliance Unit monitors

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

and provides the regulations from Financial Services Authority and Bank Indonesia related to operational activities in the Bank to the senior management and respective units.

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

- a) Consistently assessing the implementation of the prudential principles in providing loans to Large Debtors and Related Parties by utilising Compliance Checklist 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) The Compliance Unit sits in the meetings of the Board of Directors, Board of Commissioner, Audit Committee, Risk Oversight Committee, Assets and Liabilities Committee (ALCO), Risk Management Committee, and IT, Operational, and Services Steering Committee.
- c) The Compliance Unit ensures the Bank complies with the commitment towards Financial Services Authority and Bank Indonesia including the follow-up of audit findings and monitors the follow-up on the fulfilment of these commitments.
- d) The Compliance Unit prevents the establishment of policy or decision that are noncompliant or contradict the OJK regulations and applicable laws, among others:
 - 1. Performing the Bank's internal policy review in accordance with the applicable regulations.
 - 2. Providing approval on the compliance to regulations on the issuance of new products or activities.

INFORMATION DISCLOSURES OF RISK EXPOSURES AND CAPITAL

General - Key Metrics

No	Description
Available Capital (amounts)	
1	Common Equity Tier 1 (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 (1% - 2.5%) (%)
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.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

(in millions Rupiah)

	31 Dec 23	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 22
	18,361,854	17,695,736	17,298,255	17,768,423	17,281,273
	18,361,854	17,695,736	17,298,255	17,768,423	17,281,273
	19,829,799	19,293,285	18,886,889	19,389,553	19,017,775
	77,011,713	81,240,967	80,876,121	78,522,963	75,854,581
	23.84%	21.78%	21.39%	22.63%	22.78%
	23.84%	21.78%	21.39%	22.63%	22.78%
	25.75%	23.75%	23.35%	24.69%	25.07%
	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%
	16.75%	14.75%	14.35%	15.69%	16.07%
	141,469,286	149,149,582	144,239,086	149,081,541	143,483,358
	12.98%	11.86%	11.99%	11.92%	12.04%
	12.98%	11.86%	11.99%	11.92%	12.04%
	12.75%	11.61%	12.17%	12.31%	12.01%
	12.75%	11.61%	12.17%	12.31%	12.01%
	56,434,101	59,633,099	61,193,389	62,194,511	55,429,529
	16,716,553	19,924,172	19,237,733	17,825,783	16,560,035
	337.59%	299.30%	318.09%	348.90%	334.72%
	77,694,431	80,240,520	72,253,960	76,230,848	76,352,128
	41,531,710	46,948,368	47,237,323	43,869,926	41,912,200
	187.07%	170.91%	152.96%	173.77%	182.17%

General - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

	Description	Carrying value as stated in the published financial statements	The carrying value is based on the precautionary principle
	Aset		
	Cash	364,876	364,876
	Placement with Bank Indonesia	24,566,495	24,566,495
	Placement with other banks	3,757,650	3,757,650
	Spot and derivative/forward receivables	262,776	262,776
	Securities	26,269,446	26,269,446
	Securities sold under repurchase agreement (repo)	-	-
	Securities purchased with agreement to resell (reverse repo)	11,635,006	11,635,006
	Acceptance receivables	1,541,817	1,541,817
	Loans to customers	54,456,498	54,456,498
	Sharia financing	-	-
	Equity investment	-	-
	Other financial assets	1,127,954	1,127,954
	Impairment on financial assets -/-	(2,207,360)	(2,207,360)
	Intangible asset	449,596	449,596
	Accumulated amortisation on intangible assets -/-	(306,509)	(306,509)
	Properties and equipment	1,956,045	1,956,045
	Accumulated depreciation on properties and equipment -/-	(1,227,685)	(1,227,685)
	Non productive asset	-	-
	a. Abandoned property	-	-
	b. Foreclosed assets	89,595	89,595
	c. Suspense accounts	-	-
	d. Interbranch assets	-	-
	Other assets	2,642,036	2,642,036
	Total assets	125,378,236	125,378,236
	Liabilities		
	Current account	39,048,181	39,048,181
	Savings account	13,884,705	13,884,705
	Time deposit	33,385,876	33,385,876
	Electronic money	-	-
	Liabilities to Bank Indonesia	-	-
	Deposits from other banks	3,931,601	3,931,601
	Spot and derivative/forward liabilities	279,059	279,059
	Liabilities on securities sold under repurchase agreement (repo)	-	-
	Acceptance liabilities	1,541,817	1,541,817
	Issued securities	-	-
	Loans/financing received	10,623,930	10,623,930
	Margin deposit	269,987	269,987
	Interbranch liabilities	-	-
	Other liabilities	3,427,167	3,427,167
	Non-controlling interest	-	-
	Total liabilities	106,392,323	106,392,323

(in millions Rupiah)

	The carrying amount of each risk				
	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the Securitisation Framework	Subject to the Market Risk Framework	Not subject to capital requirements or subject to deduction from capital
	364,876	-	-	179,271	-
	24,566,495	-	-	13,464,677	-
	3,757,650	-	-	3,678,084	-
	-	262,776	-	262,776	-
	24,464,848	-	-	3,219,189	-
	-	-	-	-	-
	-	11,635,006	-	-	-
	1,541,817	-	-	1,169,518	-
	54,456,498	-	-	20,814,639	-
	-	-	-	-	-
	-	-	-	-	-
	1,127,954	-	-	251,025	-
	(2,207,360)	-	-	(523,703)	-
	-	-	-	-	449,596
	-	-	-	-	(306,509)
	1,956,045	-	-	-	-
	(1,227,685)	-	-	-	-
	-	-	-	-	-
	89,595	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	2,246,847	-	-	263,911	409,330
	111,137,580	11,897,782	-	42,779,387	552,417
	-	-	-	11,600,261	39,048,181
	-	-	-	7,525,749	13,884,705
	-	-	-	10,165,815	33,385,876
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	61,896	3,931,601
	-	-	-	279,059	279,059
	-	-	-	-	-
	-	-	-	1,169,518	1,541,817
	-	-	-	-	-
	-	-	-	10,623,930	10,623,930
	-	-	-	78,026	269,987
	-	-	-	-	-
	-	-	-	820,475	3,427,167
	-	-	-	-	-
	-	-	-	42,324,729	106,392,323

General - Differences between carrying value in accordance with Indonesian Financial Accounting Standards with exposure value in accordance with Financial Services Authority (L12)

(in millions 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)	125,378,236	111,137,580	-	11,897,782	42,779,387
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	106,392,323	-	-	-	42,324,729
3	Total net amount under regulatory scope of consolidation	18,985,913	111,137,580	-	11,897,782	454,658
4	Off-balance sheet amounts	86,975,662	15,835,794	-	-	1,527,863
5	Difference in valuation	931,357	-	-	931,357	-
6	Difference due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	(89,481)	(89,481)	-	-	-
8	Difference due to prudential filters	-	-	-	-	-
	Exposure amounts considered for regulatory purposes	106,803,451	126,883,893	-	12,829,139	1,982,521

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

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.

Capital - Composition of Capital as of 31 December 2023 (CC1)

(in millions Rupiah)

No	Component	Amount	Reference from 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	8,106,383	B
3	Accumulated other comprehensive income (and other reserves)	46,877	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	18,997,265	
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)	143,087	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	82,994	
	c. Deferred tax asset	409,330	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	635,411	
29	Common Equity Tier 1 capital (CET1)	18,361,854	

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Capital - Composition of Capital as of 31 December 2023 (CC1)

(in millions Rupiah)

No	Component	Amount	Reference from 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)	18,361,854	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	756,359	
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	711,586	
51	Tier 2 capital before regulatory adjustments	1,467,945	
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	N/A	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	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	

Capital - Composition of Capital as of 31 December 2023 (CC1)

(in millions Rupiah)

No	Component	Amount	Reference from 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)	1,467,945	
59	Total capital (TC = T1 + T2)	19,829,799	
60	Total risk weighted assets	77,011,713	
	Capital Ratios and Buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	23.84%	
62	Tier 1 (as a percentage of risk weighted assets)	23.84%	
63	Total capital (as a percentage of risk weighted assets)	25.75%	
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)	16.75%	
	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	

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Capital - Reconciliation of Capital as of 31 December 2023 (CC2)

(in millions Rupiah)

No.	ACCOUNTS	Published Statements of Financial Position	Financial Position under Regulatory Scope	Reference number
		31 December 2023	31 December 2023	
ASET				
1.	Cash	364,876	364,876	
2.	Placement with Bank Indonesia	24,566,495	24,566,495	
3.	Placement with other banks	3,757,650	3,757,650	
4.	Spot and derivative receivables	262,776	262,776	
5.	Securities	26,269,446	26,269,446	
6.	Securitized sold under repurchase agreement (repo)	-	-	
7.	Securities purchased with agreement to resell (reverse repo)	11,635,006	11,635,006	
8.	Acceptance receivables	1,541,817	1,541,817	
9.	Loans to customers	54,456,498	54,456,498	
10.	Sharia financing	-	-	
11.	Equity investment	-	-	
12.	Other financial assets	1,127,954	1,127,954	
13.	Impairment on financial assets -/-			
	a. Securities	(277)	(277)	
	b. Loans	(2,197,595)	(2,197,595)	
	c. Others	(9,488)	(9,488)	
14.	Intangible assets	449,596	449,596	D
	Accumulated amortisation on intangible assets -/-	(306,509)	(306,509)	D
15.	Properties and equipment	1,956,045	1,956,045	
	Accumulated depreciation on properties and equipment -/-	(1,227,685)	(1,227,685)	
16.	Non productive assets			
	a. Abandoned property	-	-	
	b. Foreclosed assets	89,595	89,595	
	c. Suspense accounts	-	-	
	d. Interbranch assets	-	-	
17.	Other Assets	2,642,036	2,642,036	
TOTAL ASSETS		125,378,236	125,378,236	

Capital - Reconciliation of Capital as of 31 December 2023 (CC2)

(in millions Rupiah)

No.	ACCOUNTS	Published Statements of Financial Position	Financial Position under Regulatory Scope	Reference number
		31 December 2023	31 December 2023	
LIABILITIES AND EQUITIES				
LIABILITIES				
1.	Current account	39,048,181	39,048,181	
2.	Savings Account	13,884,705	13,884,705	
3.	Time deposits	33,385,876	33,385,876	
4.	Electronic money	-	-	
5.	Liabilities to Bank Indonesia	-	-	
6.	Deposits from other banks	3,931,601	3,931,601	
7.	Spot and derivative liabilities / forward	279,059	279,059	
8.	Liabilities on securities sold under repurchase agreement (repo)	-	-	
9.	Acceptance liabilities	1,541,817	1,541,817	
10.	Issued securities	-	-	
11.	Loans/financing received	10,623,930	10,623,930	
12.	Margin deposits	269,987	269,987	
13.	Interbank liabilities	-	-	
14.	Other liabilities	3,427,167	3,427,167	
15.	Minority Interest	-	-	
TOTAL LIABILITIES		106,392,323	106,392,323	

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Capital - Reconciliation of Capital as of 31 December 2023 (CC2)

(in millions Rupiah)

No.	ACCOUNTS	Published Statements of Financial Position	Financial Position under Regulatory Scope	Reference number
		31 December 2023	31 December 2023	
EQUITY				
16.	Paid in capital			
	a. Authorised 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	14,543	14,543	
18.	Other comprehensive income			
	a. Translation adjustment from foreign currency	-	-	
	b. Potential gain (losses) from an increase in fair value of financial assets measured at fair value through other comprehensive income	(63,327)	(63,327)	C
	c. Effective portion of cash flow hedges	-	-	
	d. Gain on revaluation of fixed assets	-	-	
	e. Portion of other comprehensive income from associates	-	-	
	f. Remeasurement of defined benefit pension plans	(39,791)	(39,791)	
	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	13,930	13,930	C
	g. 2. In accordance with remeasurement of defined benefit pension plans	8,754	8,754	
	h. Others	5,142	5,142	
19.	Reserves			
	a. General reserves	96,274	96,274	C
	b. Appropriated reserves	-	-	
20.	Profit/Loss			
	a. Previous years	6,894,882	6,894,882	B
	b. Current year	2,448,189	2,448,189	B
	c. Dividend paid (-/-)	1,236,688	1,236,688	B
TOTAL EQUITY ATTRIBUTABLE TO OWNERS		18,985,913	18,985,913	
TOTAL EQUITY		18,985,913	18,985,913	
TOTAL LIABILITIES AND EQUITY		125,378,236	125,378,236	

Capital - Key Features of Capital Instruments and TLAC-Eligible Instruments (CCA)

(in millions 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	756,359
9	Par value of the instrument	10,586,395	1,154,775 (USD 75 million)
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	SOFR + 4.29586%
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	Cumulative
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

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Leverage Ratio - Report of Leverage Ratio and Report of Leverage Ratio Framework

A. Leverage Ratio Total Exposures

(in millions Rupiah)

No	Description	As of 31 December 2023
1	Total assets on the balance sheet in published financial statement (gross value before deducting impairment provision)	127,585,597
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	931,356
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	15,835,793
11	Prudent valuation adjustments in form of capital deduction factor and impairment provision	(2,883,461)
12	Other adjustments	-
13	Total exposure in Leverage Ratio Calculation	141,469,285

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

B. Leverage Ratio Framework

(in millions Rupiah)

No	Description	Period	
		December 2023	September 2023
On Balance Sheet Exposure			
1	On-balance sheet exposures excluding derivatives and securities financing transactions (SFTs) (gross value before deducting impairment provision)	115,687,815	119,121,104
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)	(2,207,361)	(2,465,591)
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)	(552,417)	(452,106)
7	Total asset exposure on the financial report Total from line 1 to 6	112,928,037	116,203,407
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	367,887	540,325
9	Add-on amounts for potential future exposure associated with all derivatives transaction	826,246	821,993
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	1,194,133	1,362,317
Securities financing transaction exposures			
14	Gross SFT assets	11,635,006	16,693,420
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	11,635,006	16,693,420
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross national amount	86,975,663	83,007,783
20	(Adjustment from the result of multiplying commitment payable or contingent payables with credit conversion factor and deducted with impairment provision)	(71,139,869)	(68,049,872)
21	(Impairment provision for off-balance sheet in line with accounting standard)	(123,684)	(67,474)
22	Total Off-balance sheet Total line 19-21	15,712,110	14,890,438

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

(in millions Rupiah)

No Description		Period	
		December 2023	September 2023
Capital and Total Exposures			
23	Tier 1 Capital	18,361,854	17,695,736
24	Total Exposure	141,469,285	149,149,582
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	12.98%	11.86%
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)	12.98%	11.86%
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	14,196,829	20,016,388
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	11,635,006	16,693,420
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	144,031,108	152,472,550
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	144,031,108	152,472,550
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	12.75%	11.61%
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	12.75%	11.61%

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

Credit Risk - Disclosure of Credit Quality over Asset (CR1)

		Gross carrying value		
		Past Due Receivables	Non Past Due Receivables	Allowance for impairment losses
1	Loans	1,937,686	83,398,408	2,207,084
2	Securities	-	25,121,290	277
3	Off Balance Sheet Transaction	-	18,268,175	4,940
4	Total	1,937,686	126,787,873	2,212,301

Credit Risk - Disclosures of Past Due Credit and Securities Movements (CR2)

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

(in millions Rupiah)

1	Past Due Loans and Securities in prior reporting	2,109,161
2	Past Due Loans and Securities since prior reporting	1,041,594
3	Credit and Securities Restated to Not Past Due Receivables	9,218
4	Written-Off	22,381
5	Other Changes	(1,181,470)
6	Past Due Credit and Securities for end of reporting period	1,937,686

(in millions Rupiah)

	Allowance for impairment losses			
	Stage 2 dan Stage 3	Stage 1	IRB Approach	Net Receivables
	2,117,879	89,205	-	83,129,010
	-	277	-	25,121,013
	533	4,407	-	18,263,235
	2,118,412	93,889	-	126,513,258

Credit Risk - Additional Disclosures on Credit Quality of Assets (CRB)
a) Disclosure of Net Receivables by Region

(in millions Rupiah)

No.	Portfolio Category	31 December 2023					
		Net Receivables by Region					
		JAVA	SUMATERA	SULAWESI	KALIMANTAN	OTHERS	Total
a	b	c	d	e	f	g	h
1	Receivables on Government	56,925,273	-	-	-	-	56,925,273
2	Receivables on Public Sector Entities	3,807,267	295	-	-	-	3,807,562
3	Receivables on Multilateral Development Banks and International Entities	-	-	-	-	-	-
4	Receivables on Banks	11,746,108	-	-	-	-	11,746,108
5	Receivables by Covered Bonds	-	-	-	-	-	-
6	Receivables from Securities Companies and Other Financial Services Institutions	6,253,727	-	-	-	-	6,253,727
7	Receivables in the form of Securities/Subordinated Debt, Equity, and Other Capital Instruments	-	-	-	-	-	-
8	Loans Secured by Residential Properties	1,355,438	719	166	2,220	27	1,358,570
9	Loans Secured by Commercial Properties	6,288,590	42,244	4,202	2,419	9	6,337,464
10	Loans for Land Acquisition, Land Processing, and Construction	12	-	-	-	-	12
11	Employee/Retired Loans	-	-	-	-	-	-
12	Receivables from Micro, Small and Retail Portfolios	4,884,915	132,767	15,819	18,155	14,643	5,066,299
13	Receivables from Corporates	44,504,088	275,185	17,779	166,060	118,815	45,081,927
14	Past Due Receivables	427,051	393	16	20	15	427,495
15	Other Assets	2,798,075	-	-	-	-	2,798,075
Total		138,990,544	451,603	37,982	188,874	133,509	139,802,512

 Key Highlights
2023

 Management
Report

 Company
Profile

 Management
Discussion
and Analysis

 Good
Corporate
Governance

 Corporate
Data

 Sustainability
Report

 Financial
Statements

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Credit Risk - Additional Disclosures on Credit Quality of Assets (CRB)
b) Disclosure of Net Receivables by Economic Sector

	No.	Economic Sector	Receivables on Government	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks	Receivables by Covered Bond
			c	d	e	f	g
	a	b					
	31 December 2023						
<div>Key Highlights 2023</div> <div>Management Report</div> <div>Company Profile</div> <div>Management Discussion and Analysis</div> <div>Good Corporate Governance</div> <div>Corporate Data</div> <div>Sustainability Report</div> <div>Financial Statements</div>	1	Agriculture, Forestry, and Fisheries	-	-	-	-	-
	2	Mining and Quarrying	-	2,159,741	-	-	-
	3	Manufacturing	-	619,255	-	-	-
	4	Electricity, Gas, and Hot Steam/Water and Cold Air	-	-	-	-	-
	5	Water and Wastewater Management and Waste Management and Recycling	-	-	-	-	-
	6	Construction	-	12,600	-	-	-
	7	Wholesale and Retail Trade, Car and Motorcycle Repair and Maintenance	-	-	-	-	-
	8	Transportation and Warehousing	-	-	-	-	-
	9	Accommodation, Food and Beverage Supply	-	-	-	-	-
	10	Information and Communication	-	10,403	-	-	-
	11	Financial Activities and Insurance	92,565	5,000	-	11,746,108	-
	12	Real Estate	-	-	-	-	-
	13	Professional, Scientific, and Technical Activities	-	-	-	-	-
	14	Leasing and Leasing without Option Rights Activities, Employment, Travel Agencies, and Other Business Supports	-	-	-	-	-
	15	Government Administration, Defense and Compulsory Social Security	31,678,420	-	-	-	-
	16	Education	-	-	-	-	-
	17	Human Health and Social Activities	-	-	-	-	-
	18	Art, Entertainment and Recreation	-	-	-	-	-
	19	Other Service Activities	-	1,000,563	-	-	-
	20	Households Activities " as Employer; Activities which Generate Products or Services by Household, Use for Fulfilling Self-Needs"	-	-	-	-	-
	21	International Agencies and Other Extra International Agencies Activities	-	-	-	-	-
	22	Household	-	-	-	-	-
	23	Non-Business Activities	587,795	-	-	-	-
	24	Others	24,566,494	-	-	-	-
	Total		56,925,274	3,807,562	-	11,746,108	-

(in millions Rupiah)

	Receivables from Securities Companies and Other Financial Services Institutions	Receivables in the form of Securities/ Subordinated Debt, Equity, and Other Capital Instruments	Loans Secured by Residential Properties	Loans Secured by Commercial Properties	Loans for Land Acquisition, Land Processing, and Construction	Employee/ Retired Loans	Receivables from Micro, Small and Retail Portfolios	Receivables from Corporates	Past Due Receivables	Other Assets
	h	i	j	k	l	m	n	o	p	q
	-	-	-	-	-	-	14,991	799,468	754	-
	-	-	-	29,392	-	-	-	2,899,398	-	-
	-	-	178,355	2,411,131	-	-	78,065	24,716,685	49,856	-
	-	-	-	-	-	-	-	174,622	-	-
	-	-	-	-	-	-	-	968	-	-
	-	-	109,429	102,802	12	-	68,643	656,545	194,442	-
	-	-	577,014	2,466,138	-	-	469,148	7,021,584	69,519	-
	-	-	29,170	48,911	-	-	43,932	206,212	2,375	-
	-	-	10,729	-	-	-	47,493	41,678	-	-
	2,126,385	-	-	13,164	-	-	15,758	3,953,402	-	-
	4,127,152	-	-	-	-	-	-	1,000,517	-	-
	-	-	3,660	-	-	-	17,550	581,423	6,077	-
	-	-	3	9,331	-	-	26,728	60,649	-	-
	-	-	3,284	382,143	-	-	25,249	294,802	-	-
	-	-	-	-	-	-	-	123	-	-
	-	-	-	-	-	-	1,307	-	-	-
	-	-	5,927	859,378	-	-	2,896	135,287	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	3,307	5,923	-	-	2,214	1,182,434	1,455	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	190	-	437,692	9,151	-	-	4,252,325	182,718	103,016	-
	-	-	-	-	-	-	-	1,173,412	-	1,615,245
	-	-	-	-	-	-	-	-	-	1,182,830
	6,253,727	-	1,358,570	6,337,464	12	-	5,066,299	45,081,927	427,494	2,798,075

Credit Risk - Additional Disclosures on Credit Quality of Assets (CRB)
c) Disclosure of Net Receivables by Remaining Contractual Maturity

(in millions Rupiah)

No.	Portfolio Category	31 December 2023					
		Net Receivables by Remaining Contractual Maturity					
		≤ 1 year	> 1 year - 3 years	> 3 years - 5 years	> 5 years	Non Contractual	Total
a	b	c	d	e	f	g	h
1	Receivables on Government	37,096,915	5,259,091	1,445,376	240,456	12,883,436	56,925,274
2	Receivables on Public Sector Entities	2,640,347	779,848	387,367	-	-	3,807,562
3	Receivables on Multilateral Development Banks and International Entities	-	-	-	-	-	-
4	Receivables on Banks	7,506,874	537,465	15,687	46,191	3,639,891	11,746,108
5	Receivables by Covered Bonds	-	-	-	-	-	-
6	Receivables from Securities Companies and Other Financial Services Institutions	4,259,524	1,195,390	798,813	-	-	6,253,727
7	Receivables in the form of Securities/Subordinated Debt, Equity, and Other Capital Instruments	-	-	-	-	-	-
8	Loans Secured by Residential Properties	841,551	44,678	82,913	389,428	-	1,358,570
9	Loans Secured by Commercial Properties	4,487,007	134,829	1,588,618	127,010	-	6,337,464
10	Loans for Land Acquisition, Land Processing, and Construction	12	-	-	-	-	12
11	Employee/Retired Loans	-	-	-	-	-	-
12	Receivables from Micro, Small and Retail Portfolios	1,321,226	1,776,012	1,535,305	433,756	-	5,066,299
13	Receivables from Corporates	37,850,483	4,427,985	2,788,988	14,471	-	45,081,927
14	Past Due Receivables	266,776	33,370	14,097	113,251	-	427,494
15	Other Assets	-	-	-	-	2,798,075	2,798,075
Total		96,270,715	14,188,668	8,657,164	1,364,563	19,321,402	139,802,512

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Credit Risk - Additional Disclosures on Credit Quality of Assets (CRB)
d) Disclosures of Receivables and Allowance by Region

(in millions Rupiah)

No.	Description	31 December 2023					
		Region					
		JAVA	SUMATERA	SULAWESI	KALIMANTAN	OTHER	Total
1	Receivables	123,394,184	4,922,107	200,140	108,986	100,142	128,725,559
2	Increased and impaired credit risk receivables	4,495,295	274,568	45,297	17,888	62,238	4,895,286
	a. Non past due	2,787,018	121,433	8,450	5,255	59,722	2,981,878
	b. Past due	1,708,277	153,135	36,847	12,633	2,516	1,913,408
3	Allowance for Impairment Losses - Stage 1	89,958	3,532	195	132	72	93,889
4	Allowance for Impairment Losses - Stage 2	102,586	1,050	149	85	319	104,189
5	Allowance for Impairment Losses - Stage 3	1,875,289	100,210	36,165	1,891	668	2,014,223
6	Written-off receivables	52,602	-	-	-	-	52,602

Credit Risk - Additional Disclosures on Credit Quality of Assets (CRB)
e) Disclosures of Receivables and Allowance by Economic Sector

(in millions Rupiah)

No.	Economic Sectors	Receivables	Receivables with 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				
a	b	c	d	e	f	g	h	i
31 December 2023								
1	Agriculture, Forestry, and Fisheries	780,659	-	5,506	375	-	4,752	-
2	Mining and Quarrying	7,805,906	29,428	-	5,267	568	-	-
3	Manufacturing	27,879,245	1,493,338	282,728	17,904	21,971	253,966	-
4	Electricity, Gas, and Hot Steam/Water and Cold Air	283,050	-	-	21	-	-	-
5	Water and Wastewater Management and Waste Management and Recycling	1,891	-	-	-	-	-	-
6	Construction	2,051,082	145,641	980,264	716	32	875,917	-
7	Wholesale and Retail Trade, Car and Motorcycle Repair and Maintenance	10,481,171	1,072,900	230,328	8,068	3,066	539,565	-
8	Transportation and Warehousing	314,811	17,846	2,779	292	8	2,547	-
9	Accommodation, Food and Beverage Supply	106,337	37,649	-	136	142	1,066	-
10	Information and Communication	6,142,937	4,004	274,205	3,219	3	274,205	-
11	Financial Activities and Insurance	17,114,859	-	-	8,820	-	-	-
12	Real Estate	615,155	-	20,801	400	-	14,759	-
13	Professional, Scientific, and Technical Activities	88,282	26,527	-	72	327	-	-
14	Leasing and Leasing without Option Rights Activities, Employment, Travel Agencies, and Other Business Supports	751,194	970	-	381	112	-	-
15	Government Administration, Defense and Compulsory Social Security	19,798,152	-	-	-	-	-	-
16	Education	1,307	-	-	19	-	-	-
17	Human Health and Social Activities	1,000,620	4,843	-	590	52	-	-
18	Art, Entertainment and Recreation	-	-	-	-	-	-	-
19	Other Service Activities	2,202,138	-	1,726	1,293	-	272	-
20	Households Activities as Employer; Activities which Generate Products or Services by Household, Use for Fulfilling Self-Needs	-	-	-	-	-	-	-
21	International Agencies and Other Extra International Agencies Activities	-	-	-	-	-	-	-
22	Household	4,053,020	148,506	115,071	46,297	77,908	46,949	52,602
23	Non-Business Activities	2,687,249	225	-	19	-	225	-
24	Others	24,566,494	-	-	-	-	-	-
Total		128,725,559	2,981,877	1,913,408	93,889	104,189	2,014,223	52,602

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Credit Risk - Additional Disclosures on Credit Quality of Assets (CRB)

f) Disclosure of Receivables by Due Date

(in millions Rupiah)

No.	Exposure Type	31 December 2023			
		Net Receivables based on Days Past Due			
		> 90 days up to 120 days	> 120 days up to 180 days	> 180 days	Total
a	b	c	d	e	f
1	Loans include to Past Due Receivables	22,624	45,783	1,717,779	1,786,186
2	Securities include to Past Due Receivables	-	-	-	-
Total		22,624	45,783	1,717,779	1,786,186

Credit Risk - Additional on the Treatment of Non-performing Assets (CRB-A)

1) Disclosure of Performing and Non-performing Assets

		Performing (Current and Special Mention Quality)		Impaired Loss Receivables	
		Gross Carrying Value	Allowance for Impairment Losses	Gross Carrying Value	Allowance for Impairment Losses
		a	b	c	d
1	Securities	25,121,290	277	-	-
2	Loans	83,398,409	693,545	3,652,840	2,965,013
	a. Corporates	71,831,896	149,854	1,715,155	1,451,474
	b. Retail	11,566,513	543,691	1,937,685	1,513,539
3	Off Balance Sheet Transaction	18,268,175	4,940	-	-

Key Highlights
2023

Management
Report

Company
Profile

Credit Risk - Additional Disclosures on the Treatment of Non-performing Assets (CRB-A)

2) Disclosure of Performing and Non-performing of Restructured Assets

		Performing (Current and Special Mention Quality)		Non Performing (Substandard, Doubtful, and Loss Quality)	
		Gross Carrying Value	Allowance for Impairment Losses	Gross Carrying Value	Allowance for Impairment Losses
		a	b	c	d
1	Securities	-	-	-	-
2	Loans	194,503	27,493	757,018	638,147
	a. Corporates	48,531	29	668,495	607,011
	b. Retail	145,973	27,464	88,523	31,137
3	Off Balance Sheet Transaction	-	-	-	-

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

(in millions Rupiah)

	Non-Performing (Substandard, Doubtful, and Loss Quality)			
	Gross Carrying Value			
	>90 Days Overdue		≤90 Days Overdue	
	Gross Carrying Value	Allowance for Impairment Losses	Gross Carrying Value	Allowance for Impairment Losses
	e	f	g	h
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-

(in millions Rupiah)

	Stage 1		Stage 2		Stage 3	
	Gross Carrying Value	Allowance for Impairment Losses	Gross Carrying Value	Allowance for Impairment Losses	Gross Carrying Value	Allowance for Impairment Losses
	e	f	g	h	i	j
	-	-	-	-	-	-
	124,128	144	18,236	1,066	809,158	664,430
	48,531	29	-	-	668,495	607,011
	75,598	115	18,236	1,066	140,663	57,420
	-	-	-	-	-	-

Credit Risk - Disclosure of Quantitative Related to Credit Risk Mitigation Techniques (CR3)

(in millions Rupiah)

		Receivables that are not secured by MRK techniques	Receivables Secured by MRK Techniques	Receivables Secured by Collateral	Receivables Secured by Guarantees	Receivables Secured by Credit Derivatives
1	Loans	82,624,828	504,182	504,182	-	-
2	Securities	25,121,013	-	-	-	-
3	Total	107,745,841	504,182	504,182	-	-
4	Past due loans and securities	423,647	500	500	-	-

Credit Risk - Disclosure of Credit Risk Exposure and Credit Risk Mitigation Techniques Impact (CR4)

(in millions Rupiah)

Portfolio Category	Net Receivables Before Application of FKK and MRK Techniques		Net Receivables After Application of FKK and MRK Techniques		RWA and Average Risk Weight	
	RWA and Average Risk Weight	TRA	Statement of Financial Position	TRA	ATMR	Average Risk Weight
01 Receivables on the Government	56,832,708	472,853	45,197,702	92,565	-	0%
02 Receivables on Public Sector Entities	3,020,591	3,369,708	3,020,591	786,971	1,910,081	50%
03 Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	0%
04 Receivables on Banks	9,867,716	6,122,902	9,867,716	1,878,392	6,395,280	54%
05 Receivables from Securities Companies and Other Financial Services Institutions	5,783,368	3,603,195	5,783,368	470,360	4,311,707	119%
06 Receivables by Covered Bond	-	-	-	-	-	0%
07 Receivables from Corporates - General Corporate Exposure	34,164,894	57,212,878	33,874,471	10,913,750	44,070,716	98%
Receivables from Securities Companies and Other Financial Services Institutions	-	-	-	-	-	0%
Special Financing Exposure	-	-	-	-	-	0%
08 Receivables in the form of Subordinated Notes, Equity and Other Capital Instruments	-	-	-	-	-	0%
09 Receivables from Micro Business, Small Business and Retail Portfolio	3,756,734	13,093,649	3,626,348	1,309,565	3,658,842	74%

(in millions Rupiah)

Portfolio Category	Net Receivables Before Application of FKK and MRK Techniques		Net Receivables After Application of FKK and MRK Techniques		RWA and Average Risk Weight	
	RWA and Average Risk Weight	TRA	Statement of Financial Position	TRA	ATMR	Average Risk Weight
10 Loans Secured by Properties	-	-	-	-	-	0%
Residential mortgage loans whose repayment is materially dependent on property cash flows	1,323,660	349,100	1,309,280	33,766	496,922	37%
Commercial Property-Backed Loans whose Payments are Not Materially Dependent on Property Cash Flows	-	-	-	-	-	0%
Commercial Property-Backed Loans whose Payments Depend Materially on Property Cash Flows	5,994,519	2,720,855	5,926,027	342,165	4,208,130	67%
Commercial Property-Backed Loans whose Payments Depend Materially on Property Cash Flows	-	-	-	-	-	0%
Credit for Land Acquisition, Land Processing, and/or Construction	-	116	-	12	12	100%
11 Past Due Receivables	424,453	30,406	423,953	3,041	363,780	85%
12 Other Assets	2,798,075	-	2,798,075	-	2,477,996	89%
Total	123,966,718	86,975,662	111,827,531	15,830,587	67,893,466	53%

Credit Risk - Disclosure of Exposure Based On Asset Class and Weight Risk (CR5)

Portfolio Category		0%	10%	15%	20%	25%	
01	Receivables on the Government	45,290,268	-	-	-	-	
02	Receivables on Public Sector Entities	-	-	-	-	-	
03	Receivables on Multilateral Development Banks and International Entities	-	-	-	-	-	
04	Receivables on Banks	-	-	-	175,978	-	
05	Receivables from Securities Companies and Other Financial Services Institutions	-	-	-	1,000	-	
06	Receivables by Covered Bond	-	-	-	-	-	
07	Receivables from Corporates - General Corporate Exposure	-	-	-	163,814	-	
Key Highlights 2023	Receivables from Securities Companies and Other Financial Services Institutions	-	-	-	-	-	
	Special Financing Exposure	-	-	-	-	-	
Management Report	08 Receivables in the form of Subordinated Notes, Equity and Other Capital Instruments	-	-	-	-	-	
Company Profile	09 Receivables from Micro Business, Small Business and Retail Portfolio	-	-	-	-	-	
Management Discussion and Analysis	10 Loans Secured by Properties	-	-	-	-	-	
	Residential mortgage loans whose repayment is not materially dependent on property cash flows	-	-	-	946,687	-	
Good Corporate Governance	without loan sharing approach	-	-	-	-	-	
Corporate Data	with loan sharing approach (guaranteed)	-	-	-	-	-	
Sustainability Report	with loan sharing approach (guaranteed)	-	-	-	-	-	
Financial Statements	Residential mortgage loans whose repayment is materially dependent on property cash flows	-	-	-	-	-	
	Commercial Property-Backed Loans whose Payments are Not Materially Dependent on Property Cash Flows	-	-	-	-	-	
	without loan sharing approach	-	-	-	-	-	
	with loan sharing approach (guaranteed)	-	-	-	-	-	
	with loan sharing approach (guaranteed)	-	-	-	-	-	
	Commercial Property-Backed Loans whose Payments Depend Materially on Property Cash Flows	-	-	-	-	-	
	Credit for Land Acquisition, Land Processing, and/or Construction	-	-	-	-	-	
	11 Past Due Loans	-	-	-	-	-	
	12 Other Assets	364,876	-	-	-	-	

(in millions Rupiah)

	30%	35%	40%	45%	50%	60%	65%	70%	75%
	-	-	-	-	-	-	-	-	-
	-	-	-	-	3,794,962	-	-	-	-
	-	-	-	-	-	-	-	-	-
	3,053,961	-	-	-	4,105,841	-	-	-	4,077,410
	-	-	-	-	1,194,244	-	-	-	4,881,866
	-	-	-	-	-	-	-	-	-
	-	-	-	-	229,121	-	-	-	496,468
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	410,363	-	-	-	-	4,110,283
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	10,145	325,705
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	5,095,283	-	-	58,329
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	227,086	-	-	-	-
	-	-	-	-	-	-	-	-	-

Credit Risk - Disclosure of Exposure Based On Asset Class and Weight Risk (CR5)

Portfolio Category		80%	85%	90%	100%	105%	
01	Receivables on the Government	-	-	-	-	-	
02	Receivables on Public Sector Entities	-	-	-	12,600	-	
03	Receivables on Multilateral Development Banks and International Entities	-	-	-	-	-	
04	Receivables on Banks	-	-	-	332,918	-	
05	Receivables from Securities Companies and Other Financial Services Institutions	-	-	-	-	-	
06	Receivables by Covered Bond	-	-	-	-	-	
07	Receivables from Corporates - General Corporate Exposure	-	7,330,355	-	35,064,909	-	
	Receivables from Securities Companies and Other Financial Services Institutions	-	-	-	-	-	
	Special Financing Exposure	-	-	-	-	-	
08	Receivables in the form of Subordinated Notes, Equity and Other Capital Instruments	-	-	-	-	-	
09	Receivables from Micro Business, Small Business and Retail Portfolio	-	220,063	-	165,872	-	
10	Loans Secured by Properties	-	-	-	-	-	
	Residential mortgage loans whose repayment is not materially dependent on property cash flows	-	29,204	-	30,692	-	
	without loan sharing approach	-	-	-	-	-	
	with loan sharing approach (guaranteed)	-	-	-	-	-	
	with loan sharing approach (guaranteed)	-	-	-	-	-	
	Residential mortgage loans whose repayment is materially dependent on property cash flows	-	-	-	-	-	
	Commercial Property-Backed Loans whose Payments are Not Materially Dependent on Property Cash Flows	-	49,113	-	1,065,467	-	
	without loan sharing approach	-	-	-	-	-	
	with loan sharing approach (guaranteed)	-	-	-	-	-	
	with loan sharing approach (guaranteed)	-	-	-	-	-	
	Commercial Property-Backed Loans whose Payments Depend Materially on Property Cash Flows	-	-	-	-	-	
	Credit for Land Acquisition, Land Processing, and/or Construction	-	-	-	12	-	
11	Past Due Loans	-	-	-	99,250	-	
12	Other Assets	-	-	-	2,343,604	-	

(in millions Rupiah)

[illegible]

Credit Risk - Disclosure of Exposure Based On Asset Class and Risk Weight (CR5)

(in millions Rupiah)

No	Risk Weight	On Balance Sheet Net Receivable	Off Balance Sheet Net Receivable (before Credit Conversion Factor)	Credit Conversion Factor Average	Net Receivable (after Credit Conversion Factor and Credit Risk Mitigation Techniques)
1	< 40%	61,409,493	1,867,947	1,102	50,173,202
2	40%-70%	13,857,009	7,618,417	66	15,067,336
3	75%	10,603,492	20,922,334	16	13,950,061
4	85%	6,180,422	10,355,080	405	7,628,735
5	90%-100%	30,390,574	44,452,081	766	39,115,323
6	105%-130%	5,921	86,029	14	14,524
7	150%	1,519,809	1,673,775	110	1,708,936
8	250%	-	-	-	-
9	400%	-	-	-	-
10	1,250%	-	-	-	-
Total Tagihan Bersih		123,966,718	86,975,662	2,479	127,658,118

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

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

(in millions Rupiah)

No	Deskripsi	31 December 2023					
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for EAD regulatory calculation	Net Receivables	RWA
1	SA-CCR (for derivative)	262,776	590,176		1.4	1,194,133	688,490
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
6	Total						688,490

(in millions Rupiah)

No	Deskripsi	31 December 2022					
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for EAD regulatory calculation	Net Receivables	RWA
1	SA-CCR (for derivative)	324,245	688,354		1.4	1,417,639	585,572
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
6	Total						585,572

Credit Risk - CCR Exposure by Portfolio Category and Risk Weight (CCR3)

Description		31 December 2023								
Portfolio Category		0%	10%	20%	25%	30%	50%	75%	100%	
Indonesia										
Receivables on Government and Central Bank		175,361	-	-	-	-	-	-	-	
Receivables on Public Sector Entities		-	-	-	-	-	-	-	-	
Receivables on Multilateral Development Banks and International Institutions		-	-	-	-	-	-	-	-	
Receivables on Other Banks		-	-	4,330	-	53,272	44,549	457,921	-	
Receivables on Securities Firms		-	-	-	-	-	5,180	-	-	
Receivables on Corporate		-	-	-	-	-	-	-	112,339	
Receivables on Micro, Small Business, & Retail Portfolio		-	-	-	-	-	-	-	-	
Other Assets		-	-	-	-	-	-	-	-	
Total		175,361	-	4,330	-	53,272	49,729	457,921	112,339	

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

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

The Bank has no exposure to net credit derivative receivables.

Qualitative Disclosure of Securitization Exposure (SECA)

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

Securitization Exposure on Banking Book (SEC1)

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

Credit Risk - Securitization Exposure on Trading Book (SEC2)

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

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

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.

(in millions Rupiah)

				31 December 2022									Total Net Receivables
	150%	Others	Total Net Receivables	0%	10%	20%	25%	50%	75%	100%	150%	Others	
-	-	-	245,505	630	-	-	-	-	-	-	-	-	882
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	784,101	-	-	501,839	-	357,618	-	3,004	-	-	1,207,447
-	-	-	7,252	-	-	-	-	-	-	-	-	-	-
-	-	-	157,275	-	-	16,849	-	-	-	132,543	115	-	209,310
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	1,194,133	630	-	518,688	-	357,618	-	135,547	115	-	1,417,639

Disclosures of Market Risks Using Standard Method

(in millions Rupiah)

No.		Type of Risk	31 December 2023		31 December 2022	
			Individual		Individual	
			Capital Charge	RWA	Capital Charge	RWA
(1)	(2)		(3)	(4)	(3)	(4)
1	Interest Rate Risk					
	a. Specific Risk		-	-	-	-
	b. General Risk		43,230	540,374	49,903	623,788
2	Foreign Exchange Risk		27,339	341,738	26,940	336,750
3	Equity Risk					
4	Commodity Risk					
5	Option Risk		-	-	-	-
TOTAL			70,569	882,112	76,843	960,538
CVA ^{*)}				72,475		NA
TOTAL ATMR PASAR + CVA			70,569	954,587	76,843	960,538

* In accordance with SEOJK No 23/SEOJK.03/2022 regarding "Calculation of Risk Weighted Assets for Market Risk for Commercial Banks" which will be implemented start from January 2024, but before the calculation of Market RWA according to SEOJK No 23/SEOJK.03/2022 applies, the CVA value still uses the method applied in accordance with SEOJK Credit RWA.

IRRBB - Risk Management Implementation Report for IRRBB

No	Qualitative Analysis
1	An explanation of how the Bank defines IRRBB for Risk measurement and control.
2	Explanation of Risk Management strategies and Risk mitigation for IRRBB.
3	Periodization of the Bank's IRRBB calculation and explanation of the specific measurements used by the Bank to measure sensitivity to IRRBB.
4	An explanation of the interest rate shock and stress scenarios used by the Bank in calculating IRRBB using the EVE and NII methods.
5	If there are modeling assumptions used significantly in the Bank's IMS (for example: the results of EVE measurements carried out by the Bank for purposes other than disclosure, internal assessment of capital adequacy) differ from the modeling assumptions used in the IRRBB calculation report using the standard approach, the Bank must provide an explanation of these assumptions including their impact and the reasons for using these assumptions (eg historical data, management judgments and analysis).
6	Explanation on how the Bank hedges against IRRBB (if any) and the related accounting treatment.
7	Comprehensive explanation of the main modeling assumptions and parametrics used in calculating Δ EVE and Δ NII, at least: <ul style="list-style-type: none"> a. determine whether the commercial margin and other spread components have been taken into account in the cash flow and in the discount rate used in the calculation using the EVE method; b. determining how NMD's average repricing maturities in quantitative disclosures are determined (including unique product characteristics that influence repricing behavior); c. the methodology used to estimate the prepayment rate of loans and/or early withdrawal rates for time deposits and other significant assumptions; d. other assumptions, including instruments with behavior options that have been excluded from the calculation, which have a material impact on ΔEVE and ΔNII disclosed in the IRRBB calculation report using the standard approach and an explanation of how this has a material impact; And e. aggregation methodologies across currencies and significant cross-currency interest rate correlations.
8	Other information that needs to be disclosed by the Bank regarding the Bank's interpretation of the significance and sensitivity of the disclosed IRRBB measurement results and/or an explanation of significant variations in reported IRRBB levels compared to the previous disclosure (if any).

No	Qualitative Analysis
1	The average repricing maturity period applied to NMDs.
2	Longest repricing maturity period applied to NMD.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Explanation

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

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

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

In measuring IRRBB Risk, the Bank uses 2 methods:

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

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

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

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

- 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.
- 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.
- 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.
- The Bank does not have assumptions on behavior options issued in the calculation of EVE and NII Sensitivity.
- Significant currencies that apply to the Bank are LCY and USD. 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 carried out based on quarterly positions using standard methods determined by the OJK. Based on the bank's calculation methodology as of December 2023, Δ EVE to Tier 1 Capital is at 7.35% (Low) and Δ NII to Projected Income is at 9.86% (Low), both of which indicate a level of sensitivity that tends to be low. There is an increase in EVE sensitivity from the September 2023 to December 2023 period of 0.88% due to an increase in the average tenor of assets owned by the Bank, especially in the 3 year range. This is also one of the bank's strategies in responding to changes in interest rates that are currently occurring. NII sensitivity increased by 0.50% in December 2023 due to a decrease in the denominator, namely the NII projection for the next 1 year, in line with the decrease in the amount of bank credit and funding compared to September 2023. There was no material movement in the impact of interest rate sensitivity when compared by September 2023.

In addition, there are no significant changes to the Bank's overall balance sheet in December 2023 compared to September 2023.

Explanation

The average interest rate repricing applied for NMD in LCY 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 USD is three months.

Calculation of IRRBB

No	In Millions Rupiah	ΔEVE		ΔNII	
	Period	T	T-1	T	T-1
1	Parallel up	1,218,340	1,037,338	(393,082)	(407,222)
2	Parallel down	(1,349,420)	(1,145,732)	436,531	519,068
3	Steepener	(423,617)	(367,217)		
4	Flattener	669,427	577,118		
5	Short rate up	(1,155,190)	(990,429)		
6	Short rate down	1,077,276	922,973		
7	Negative Maximum Value (absolute)	1,349,420	1,145,732	393,082	407,222
8	Tier 1 Capital (to ΔEVE) or Projected Income (to ΔNII)	18,362,179	17,695,736	3,986,262	4,352,269
9	Maximum Value divided by Tier 1 Capital (to ΔEVE) or Projected Income (to ΔNII)	7.35%	6.47%	9.86%	9.36%

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

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

No	Components	Q4 2023	
		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	8,926,247	
b.	Less Stable Deposit/Funding	12,746,783	
4	Wholesale Funding, consist of:	-	
a.	Operational deposit	25,444,278	
b.	Non operational deposit and/or Other Non Operational liabilities	36,546,355	
c.	Marketable securities issued by bank	-	
5	Secured Funding		
6	Other cash outflow (additional requirement), consist of:		
a.	cash outflow from derivative transaction	167,332	
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	11,443,400	
e.	cash outflow from other contractual liabilities related to placement of funds	-	
f.	cash outflow from other funding related contingencies liabilities	118,076,335	
g.	other contractual cash outflow	-	
7	Total Cash Outflows		
CASH INFLOWS			
8	Secured lending	-	
9	Inflows from fully performing exposures	17,125,235	
10	Other Cash Inflow	166,099	
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 2023 became 337.59%, higher compared to the third quarter of 2023. This was due to a decrease in HQLA by 5.36%, lower than decrease in Net Cash Outflow by 16.10%.

The decrease in average HQLA was mainly due to the decrease in average Placement with Bank Indonesia compared to the third quarter of 2023. On the other hand, the decrease in average total Net Cash Outflows was contributed by:-

- a decrease in average cash outflows by 5.93% mainly contributed by corporate and retail customer deposits
- an increase in average cash inflows by 12.66%, mainly contributed by receivables from financial service institutions and others.

For the fourth and third quarters of 2023, Cash Inflows have direct impact on Net Cash Outflows as the cash inflows for these two quarters did not exceed the upper threshold of imputed cash inflows, which is 75% of Total Cash Outflows.

The components of the Bank's HQLA consist of cash, placements with Bank Indonesia and securities issued by the Central Government and Bank Indonesia. Meanwhile, the main component of Net Cash Outflow is third party funds. The Bank's main source of funding is third party funds consisting of current accounts, savings and time deposits.

(in millions Rupiah)

INDIVIDUAL			
		Q3 2023	
	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
	63		62
	56,434,101		59,633,099
	446,312	8,970,756	448,538
	1,274,678	12,988,475	1,298,848
	-	-	-
	5,875,331	25,455,103	5,878,991
	19,772,470	38,754,594	21,663,292
	-	-	-
	167,332	119,600	119,600
	-	-	-
	-	-	-
	1,144,320	11,068,249	1,106,824
	-	-	-
	320,407	113,558,979	312,341
	-	-	-
	29,000,850		30,828,434
	-	-	-
	12,118,198	15,896,136	10,799,782
	166,099	104,479	104,479
	12,284,297		10,904,262
	TOTAL ADJUSTED VALUE¹		TOTAL ADJUSTED VALUE¹
	56,434,101		59,633,099
	16,716,553		19,924,172
	337.59%		299.30%

Liquidity Risk - Net Stable Funding Ratio (NSFR)

No.	ASF Component	Reporting Position (September / 2023)		
		Carrying Value By Residual Maturity (in millions Rupiah)		
		No Specified Maturity	< 6 Months	≥ 6 Months - 1 Year
1	Capital	18,927,783	-	-
2	Regulatory Capital as per POJK KPMM	18,927,783	-	-
3	Other capital instruments	-	-	-
4	Retail deposits and deposits from micro and small business customers:	16,147,359	11,950,593	127,832
5	Stable Deposits	7,711,212	2,106,564	26,499
6	Less Stable Deposits	8,436,147	9,844,029	101,333
7	Wholesale Funding:	40,472,981	31,402,988	128,604
8	Operational deposits	26,604,347	-	-
9	Other wholesale funding	13,868,635	31,402,988	128,604
10	Liabilities with matching interdependent assets	-	-	-
11	Other liabilities and equity:	-	-	-
12	NSFR derivative liabilities	-	22,029	37,024
13	All other liabilities and equity not included in the above categories	-	4,561,755	-

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

(in millions Rupiah)

Reporting Position (December / 2023)						
	Weighted Value	Carrying Value By Residual Maturity (in millions Rupiah)				Weighted Value
≥ 1 Year		No Specified Maturity	< 6 Months	≥ 6 Months - 1 Year	≥ 1 Year	
817,608	19,745,391	19,625,858	-	-	756,359	20,382,216
817,608	19,745,391	19,625,858	-	-	756,359	20,382,216
-	-	-	-	-	-	-
313	25,895,420	15,183,642	12,560,656	217,337	-	25,655,348
-	9,352,061	7,655,207	2,112,564	29,755	-	9,307,650
313	16,543,359	7,528,435	10,448,091	187,582	-	16,347,698
65,993	25,558,534	41,680,845	21,844,706	239,249	65,745	22,187,712
-	13,302,173	23,369,565	-	-	-	11,684,782
65,993	12,256,361	18,311,280	21,844,706	239,249	65,745	10,502,929
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,652	-	-	-	32,397	4,681	-
9,041,175	9,041,175	-	3,697,153	-	9,469,155	9,469,155

No.	ASF Component	Reporting Position (September / 2023)		
		Carrying Value By Residual Maturity (in millions 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	-	-	-
17	Performing loans and securities	-	58,959,353	10,433,997
18	to financial institutions secured by Level 1 HQLA	-	9,307,109	7,356,002
19	to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	7,706,443	144,870
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:	-	35,720,281	2,756,867
21	meet a risk weight of less than or equal to 35% under SE OJK RWA for credit risk	-	209,833	-
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	-	872,923	176,258
24	Securities that are unpledged, not in default and do not qualify as HQLA, including exchange-traded equities	-	5,142,764	-
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	-	-	17,779
31	All other assets not included in the above categories	2,968,769	3,246,382	25,358
32	Off-balance sheet items	-	54,658,992	13,272,777
33	Total RSF			
34	Net Stable Funding Ratio (%)			

Notes:

¹ Select based on the scope of the report.

² Other assets that are not included in the above categories include commemorative coins and notes, purchased/forfeited travellers' cheques, advances to customers, inkaso receivables, other receivables, deferred income from loan restructuring, interest income to be received, tax advances, prepaid expenses, deferred expenses, bailouts under government programs.

Analysis

The NSFR percentage for the fourth quarter of 2023 is 187.07%, an increase of 16.16% compared to the third quarter of 2023. This was mainly due to a decrease in the weighted value of the Required Stable Funding (RSF) component by 11.54% which was greater than the decrease in the weighted value of the Available Stable Funding (ASF) component by 3.17%.

The decrease in the weighted value of the RSF component by 11.54% was mainly due to a decrease in loans to customers compared to the previous period. On the other hand, the decrease in the weighted value of the ASF component by 3.17% compared to the previous period was mainly due to a decrease in third party funds which is one of the main components of ASF.

The Bank's NSFR percentage is above the minimum requirement of 100% set by the Financial Services Authority (OJK).

(in millions Rupiah)

Reporting Position (December / 2023)						
	Weighted Value	Carrying Value By Residual Maturity (in millions Rupiah)				Weighted Value
≥ 1 Year		No Specified Maturity	< 6 Months	≥ 6 Months - 1 Year	≥ 1 Year	
-	80,240,520	-	-	-	-	77,694,431
-	680,220	-	-	-	-	1,048,034
-	-	-	-	-	-	-
12,914,304	39,170,673	3,634,373	52,121,369	3,819,635	13,038,082	34,020,549
-	4,608,712	-	9,924,094	1,710,912	-	1,847,866
369,668	1,598,069	3,634,373	4,355,753	234,860	369,780	1,685,729
11,852,078	29,312,840	-	31,691,927	1,759,469	11,974,328	26,903,877
186,191	225,940	-	67,533	-	186,174	154,780
-	-	-	-	-	-	-
506,368	853,729	-	692,077	114,394	507,799	733,305
-	2,571,382	-	5,389,985	-	-	2,694,993
-	-	-	-	-	-	-
-	6,414,266	-	-	-	-	5,753,178
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	20,794	-	-	20,794
-	92,130	-	-	8,841	-	55,812
1,456,213	6,322,315	2,435,149	2,596,074	75,861	1,502,872	5,676,572
15,076,014	683,210	-	39,248,508	29,092,243	18,634,912	709,950
-	46,948,368	-	-	-	-	41,531,710
	170.91%					187.07%

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	-	24,566,495
3	Securities	-	-
4	Securities purchased with agreement to resell (reverse repo)	-	11,635,006
5	Securities purchased with agreement to resell (reverse repo) with other banks	-	-
6	Total	-	36,201,501

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 2023, the Bank did not have any HQLA position categorized as encumbered assets.

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

(in millions Rupiah)

No	DETAILS	31 December 2023
		Total
(1)	(2)	(3)
1	Business Indicator Component (BIC)	653,093
2	Internal Loss Multiplier Factor (ILM)	1
3	Operational Risk Minimum Capital (ROC)	653,093
4	RWA for Operational Risk	8,163,661

(in millions Rupiah)

31 December 2023			31 December 2022			
	Unencumbered	Total	Encumbered	Assets held or agreed with the Central Bank but not yet used to generate liquidity	Unencumbered	Total
	364,876	364,876	-	-	428,680	428,680
	-	24,566,495	-	30,623,755	-	30,623,755
	20,960,672	20,960,672	40,781	-	14,475,314	14,516,095
	-	11,635,006	-	13,931,254	-	13,931,254
	-	-	-	105,977	-	105,977
	21,325,548	57,527,049	40,781	44,660,986	14,903,994	59,605,761

(in millions Rupiah)

No	DETAILS	31 December 2022		
		Average Gross Income in the last 3 years	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)
1	Basic Indicator Approach	6,630,862	994,629	12,432,866
Total		6,630,862	994,629	12,432,866



GOOD CORPORATE **GOVERNANCE**



GOOD CORPORATE GOVERNANCE



Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

THE BASIS OF GOOD CORPORATE GOVERNANCE IMPLEMENTATION

The idea and concept 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 corporate scandals and the failure to implement effective corporate governance. Root causes of the failure include a bad legal system, an absence of accounting and audit standards, a violation of the code of ethics, poor banking practices, high levels of conflict of interest, and inadequate attention to minority shareholders.

These failures demand consistent and comprehensive GCG implementation. The GCG's basic principles, namely transparency, accountability, responsibility, independence, and fairness, as well as shareholders' concerns, are seen as significant factors that can help crisis-affected companies and economies become healthier and more competitive, as well as more dynamic and professional in their management practices.

Bank Indonesia issued provisions on the implementation of GCG through Bank Indonesia Regulation (PBI) No. 8/4/PBI/2006 regarding the Implementation of Good Corporate Governance for Commercial Banks, which was subsequently replaced by BI Regulation No. 8/14/PBI/2006 regarding the Amendment of PBI No. 8/4/PBI/2006 regarding the Implementation of Good Corporate Governance for Commercial Banks and BI

Circular Letter (SEBI) No. 15/15/DPNP dated 29 April 2013 regarding the Implementation of Good Corporate Governance for Commercial Banks. In December 2016, these BI regulations and circular letters were revoked and replaced by the Indonesia Financial Services Authority (Otoritas Jasa Keuangan/OJK) Regulation No. 17 Year 2023 juncto OJK Circular Letter No. 13/SEOJK.03/2017, dated 17 March 2017, regarding the Implementation of Good Corporate Governance for Commercial Bank.

In line with the issuance of OJK Regulation No. 18/POJK.03/2014 regarding the Implementation of Integrated Governance for Financial Conglomeration, juncto OJK Circular Letter No. 15/SEOJK.03/2015 dated 25 May 2015 regarding the Integrated Corporate Governance for Financial Conglomeration, which was followed by the successful integration of the Bank with the Foreign Bank Branch Office of 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, such as by establishing the Bank as the main entity in the HSBC Financial Conglomeration in Indonesia.

GOVERNANCE STATEMENT

The Bank's governance structures refer to the Law No. 40 Year 2007 on Limited Liability Company (Limited Liability Company Law), which consists of three organs: the General Meeting of Shareholders (GMS) as the highest decision-making forum for the shareholders, the Board of Commissioners, and the Board of Directors.

The Bank realises that the implementation of GCG principles in the Company's operations is a prerequisite that must be fulfilled in order to become an organisation that is healthy and continuously developing. In 2023, the Bank remains committed to fleshing out the implementation of GCG values consistently and continuously. Therefore, the Bank was able to improve its financial performance and protect shareholders' interests both in the short and long term without neglecting the interests of other stakeholders.

The Bank continues to align its governance structures and procedures with OJK regulations regarding corporate governance. This includes the Company's values, resource capacity, and approach to risk.

GOOD GOVERNANCE PRINCIPLES

1. Transparency

Transparency is related to the quality of information given by the Bank. This principle also relates to transparency in the decision-making process and the disclosure of information. Thus, the Bank always provides clear, accurate, precise, and accessible information for all stakeholders. This transparency principle also becomes a benchmark for the Bank in running business objectively and professionally, as well as being supportive of its customers.

2. Accountability

Accountability concerns the evaluation of the performance of the Bank's supervisory organs, including the Board of Commissioners and the Board of Directors. Healthy, measurable, and professional management are requirements that must be met so the Bank can take responsibility for its performance in a transparent and accountable manner.

3. Responsibility

Responsibility in carrying out GCG principles is an embodiment of the Bank's commitment to always comply with applicable laws and regulations. In addition, the Bank also continuously implements healthy and accountable management towards the community and the environment.

4. Independence

Independence is the Bank's principle that upholds professional management without any conflicts of interest or interventions from any party that are not in accordance with prevailing laws and regulations. Each of the Bank's organs and their subordinates act independently to avoid undue dominance over

fellow employees and cannot be interfered with by any party to maintain objectivity and professionalism in carrying out their respective duties and responsibilities.

5. Fairness

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

THE OBJECTIVE OF GOOD CORPORATE GOVERNANCE IMPLEMENTATION

To strengthen its competitiveness, the Bank continuously carries out strategies that are in line with its business plan and does it consistently. Improving its competitiveness will benefit the Bank as it could eventually attract customers' interest and earn their trust. This will help the Bank grow sustainably in the long term. Through the implementation of GCG, the Bank aims to increase the value added to all interested parties for the following purposes:

1. Increasing the efficiency, effectiveness, and sustainability of organisations in order to improve the welfare of all shareholders, employees, and other stakeholders is an effective solution for facing future challenges.
2. Establishing the Bank as a legitimate entity that's managed in fair, open, and responsible manners.
3. Maintaining and protecting all shareholder and stakeholder rights and responsibilities.
4. Increasing the value of the Bank and all shareholders.
5. Improving the efficiency and effectiveness of the performance of the Board of Commissioners, the Board of Directors, and the Bank's management.

GOVERNANCE ASSESSMENT

The Bank carries out GCG assessments to measure the success of GCG implementation in terms of its performance by comparing it to best practices. Additionally, the assessment also identifies GCG practices that need to be improved in order to achieve an ideal condition for GCG implementation. Every six months, the Bank conducts self-assessments on GCG and submits the results to regulators.

In the period between June and December 2023, the Bank's GCG assessment was within the composite of "2" or under the "Good" category. The soundness level shows that the Bank overall has implemented Good Corporate Governance. However, the Bank will continue

to make improvements to ensure the implementation of better governance, which is in line with TARIF principles (Transparency, Accountability, Responsibility, Independence, and Fairness). The improvement is monitored and performed effectively and efficiently by the management.

The Bank has carried out its business with sound practices. It has also implemented GCG principles in all of its business activities at all levels of the organisation. This reflects the concrete manifestation of the Bank's high GCG commitments to good governance and its determination to comply with applicable laws and regulations. The objective is to improve performance, increase efficiency, and provide services to all stakeholders by adhering to provisions that stipulate GCG implementation in Banks.

GOOD CORPORATE GOVERNANCE STRUCTURES

To ensure that the GCG principles are implemented smoothly, the Bank has formulated the GCG structure. In doing so, the Bank always strives to complete all elements needed to implement GCG and achieve the desired results. The structures include some important aspects that are needed to improve the control and management of the Bank.

The structure consists of the main organs, which are the General Meeting of Shareholders, the Board of Commissioners, and the Board of Directors. There are also supporting organs, including Internal Audit, Corporate Secretary, the Committees under the Board of Commissioners, including (i) Audit Committee (AC), (ii) Remuneration and Nomination Committee (RNC), (iii) Risk Oversight Committee (ROC), and (iv) Integrated Corporate Governance Committee (in implementation of integrated corporate governance for HSBC Indonesia financial conglomerate), as well as the Committees under the Board of Directors, such as (i) Credit Committee, (ii) Assets and Liabilities Committee, (iii) Risk Management Committee, (iv) Information Technology, Operational, and Services Committee, (v) People Committee, and (vii) Integrated Risk Management Committee.

The structure complies with provisions on limited liability companies in Indonesia and regulations on the implementation of GCG for commercial banks.

GENERAL MEETING OF SHAREHOLDERS

The 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, approve the annual report, appoint and dismiss members of the Board of Commissioners and the Board of Directors,

determine the amount of compensation and allowances for the Board of Commissioners and the Board of Directors, and appoint an Independent Auditor. The Annual GMS is held once a year. In 2023, the Bank held the Annual GMS on 26 June 2023.

Annual GMS held on 26 June 2023 approved the following agendas:

1. Approval and ratification of the Company's 2022 Annual Report, including the Company's Financial Statements, the Board of Directors report, and the Report of Supervisory Duties of the Board of Commissioners for the financial year ended 31 December 2022, as well as 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 carried out in the financial year ended 31 December 2022;
2. Determination of the use of the Company's net profit for the financial year ended 31 December 2022;
3. Re-appointment and restatement of the composition of the Company's Board of Directors and Board of Commissioners;
4. Approval and ratification of the remuneration package for the Board of Directors and the Board of Commissioners for the 2023 financial year;
5. Appointment of a Public Accountant and a Public Accounting Firm to audit the Company's books and records for the financial year ended 31 December 2023, and determination of relevant honorarium and other requirements related to the appointment; and
6. Report of the Company's Sustainable Finance Action Plan (Rencana Aksi Keuangan Berkelanjutan/RAKB), to comply with Article 6 of the Financial Services Authority Regulation Number 51/POJK.03/2017.

Throughout 2023, the Bank held 2 (two) Extraordinary GMS on 11 April 2023 and 30 October 2023.

Extraordinary GMS held on 11 April 2023 approved the following agendas:

1. Approval on the change of the Company's status and Articles of Association to comply with Article 25 paragraph (2) of Law No. 40/2007;
2. The change in the composition of the Company's Board of Directors.
3. Approval on the Revision of the Company's Action Plan Report to comply with Article 31 of the Financial Services Authority Regulation Number 14/POJK.03/2017; and
4. Approval of the Company's 2022 Resolution Plan to comply with the Indonesia Deposit Insurance Corporation Letter No. S-300/DKRB/2021 dated 20 December 2021 regarding the Notice of Obligation to Prepare and Submit a Resolution Plan for 2022.

An Extraordinary GMS held on 30 October 2023 approved the Bank's plan to purchase shares of PT HSBC Sekuritas Indonesia.

THE BOARD OF COMMISSIONERS

According to the Law on Limited Liability Companies, the Board of Commissioners is an organ in a Bank who is responsible for supervising generally and/or specifically in accordance with the Company's articles of association. The Board of Commissioners has roles and responsibilities to oversee and advise the Board of Directors in all matters concerning the Company's policy. In carrying out its duties, the Board of Commissioners exercises the right to monitor and review the performance of the Board of Directors.

Based on the term of reference of the Board of Commissioners stated on the Board of Commissioners Decree number 011/SK/DEKOM/VIII/2021, which has been approved by the Board of Commissioners at the Board of Commissioners meeting dated 26 August 2021, the roles and responsibilities of the Board of Commissioners are as follows:

- a. Supervise the company's management by the Board of Directors and give an approval to the Bank's annual work plan prior to the starting of the next financial year, at the latest.
- b. Perform specific duties as regulated by the Articles of Association, applicable laws and regulations, and/or the GMS resolutions.

- c. Carry out duties and responsibilities as regulated by the Bank's Articles of Association and the GMS resolutions.
- d. Research and review the annual report prepared by the Board of Directors and sign the annual report.
- e. Comply with the Articles of Association, laws and regulations, as well as carry out the principles of professionalism, efficiency, transparency, independence, accountability, responsibility, 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 if the Bank shows significant downward trend, immediately report it to the GMS and provide suggestions for corrective actions.
- c. Provide opinions and suggestions to the GMS regarding other matters that are deemed important in managing the Bank.
- d. Conduct other supervisory duties as determined by the GMS.
- e. Provide feedback on periodic reports prepared by the Board of Directors from time to time on the Bank's progress.

Composition of the Board of Commissioners

Composition of the Bank's Board of Commissioners as of 31 December 2023 is as follows:

Designation	Name
President Commissioner	Martin John Haythorne
Independent Commissioner	Umar Juoro
Independent Commissioner	Catherinawati Hadiman Sugianto
Commissioner	Mark Trevor Surgenor
Commissioner	Philip David Fellowes
Independent Commissioner	Rita Mas'Oen

The Board of Commissioners Meeting

Throughout 2023, the Board of Commissioners has held 11 (eleven) meetings, consisting of: (i) 7 (seven) joint meetings with the Board of Directors on 23 February 2023, 3 May 2023, 26 June 2023, 28 July 2023, 28 August 2023, 30 October 2023, and 27 November 2023; and (ii) 4 (four) internal meetings, without the Board of Directors, on 23 February 2023, 3 May 2023, 28 July 2023, and 30 October 2023. The attendance percentage of 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	Martin John Haythorne	11	11	100%
2	Umar Juoro	11	10	90%
3	Catherinawati Hadiman Sugianto	11	11	100%
4	Mark Thomas McKeown	11	11	100%
5	Philip David Fellowes	11	11	100%
6	Rita Mas'Oen	11	11	100%

Committees Under the Board of Commissioners

To support the effectiveness of their supervisory roles and responsibilities, the Board of Commissioners establishes the Audit Committee, the Risk Oversight Committee, and the Remuneration and Nomination Committee.

Audit Committee

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

Audit Committee Responsibilities

Based on the term of reference of the Audit Committee, the Audit Committee is obliged to at least:

1. Monitor and evaluate audit planning and implementation, as well as monitor the follow-up of audit results, in order to assess the adequacy of internal control, including the financial reporting process.
2. In carrying out duties as referred to in the previous point, the Audit Committee is obliged to at least monitor and evaluate the following:
 - a. Performance of duties of internal audit work unit.
 - b. Conformity of audit carried out by a public accounting firm with audit standards.
 - c. Conformity of financial statements with the financial accounting standards.
 - d. Follow-up actions by the Board of Directors upon the findings of the Internal Audit Work Unit (Satuan Kerja Audit Intern/SKAI), public accountant and OJK supervision, in order to provide recommendations to the Board of Commissioners.

3. The Audit Committee is obliged to provide recommendations regarding the appointment of a public accountant and a public accounting firm to the Board of Commissioners to be submitted to the GMS.

Referring to the implementation of internal audit functions, the Audit Committee is responsible for:

- a. Monitoring and reviewing the effectiveness of the Bank's internal audit.
- b. Evaluating the performance of the internal audit unit (SKAI).
- c. Ensuring communication between SKAI and the Board of Directors, the Board of Commissioners, external auditors, and OJK.
- d. Ensuring SKAI works independently.
- e. Providing recommendations to the Board of Commissioners on preparation of SKAI audit plan, scope and budget.
- f. Reviewing audit reports and ensure the Board of Directors immediately takes appropriate corrective measures to tackle poor control, fraud, compliance issues to policies, laws and regulations, as well as other issues identified and reported by SKAI.
- g. Providing recommendations to the Board of Commissioners regarding the provision of overall SKAI annual remuneration and performance awards.
- h. Ensuring SKAI upholds integrity in performing its duties.

The Audit Committee has the following authorities and responsibilities regarding the Financial Report:

- a. Monitoring the integrity of financial statements and critically assessing the Company's financial statements, Pillar 3 disclosures (if applicable) and any official information and supplementary regulations related to the Company's financial performances.

- b. Reviewing and considering changes to significant accounting policies, including policy and practices of Pillar 3 disclosure, as applicable.
- c. Reviewing and reporting to the Board of Commissioners on justification assessment and significant accounting adjustments.
- d. Reviewing any sustainability assumptions and qualifications.
- e. Reviewing and monitoring compliance with accounting standards, capital market regulations, Pillar 3 disclosure requirements and other requirements.
- f. Reviewing disclosure that describes the Committee's performances and areas that need special attention.
- g. Reviewing comment letters from regulators/authorities.
- h. Carrying out follow-up actions as advised by Internal Audit, any other function or external auditor.
- i. Reviewing any significant or unusual matters that may need to be highlighted in the annual report by an external auditor.
- j. Reviewing the adequacy of resources and expertise, as well as succession planning of the Finance Function.
- k. Informing the Board of Commissioners that overall, the annual report is fair, balanced and understandable, as well as provides the information necessary for shareholders to assess the Company's position and performances, business model and strategies.
- 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 the following authorities and responsibilities related to the Internal Audit Unit (SKAI):

- 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, as well as 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 audit plan with the key business risks and budget allocation;
- c. Provide recommendation for the Board of Commissioners' consideration in the appointment and dismissal of the Head of SKAI.
- d. Provide recommendation for the Board of Commissioners' consideration in approving the SKAI Charter.

- e. Provide recommendation for the Board of Commissioners consideration in the appointment of external independent parties to perform periodic review of SKAI performance.

The Audit Committee has the following authorities and responsibilities related to the external audit:

- a. Review the terms of appointment, re-appointment, or removal of 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 external auditor's independence, objectivity and the effectiveness in the audit process, taking into account relevant professional, regulatory and other requirements.
- c. Oversee the rotation of audit partners/ external auditors.
- d. Review external auditor's report on the audit progress, the management's letter and any material queries raised by the external auditor to management (and their responses). Any material risks or internal control issues shall be referred to the Risk Oversight Committee, as appropriate.
- e. Discuss with the external auditor about the approach, nature, and scope of audit, as well as their 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 the following authorities and responsibilities related to the Internal Control:

- a. Review the effectiveness of the Bank'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 the internal audit unit (SKAI) or external auditors.
- c. Review every annual report, and other reports required by applicable laws and regulations, that have been disclosed by the President Director and the Finance Director to the Audit Committee and external auditor. Some of the information includes all significant deficiencies and material weaknesses in the internal design or operation that can control financial reporting. This 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 significant roles 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 the following authorities and responsibilities related to Whistleblowing:

- a. Oversee the implementation of the Group's policies and procedures as long as they do not conflict with applicable rules and regulations to identify and respond to whistleblower's concerns.
- b. Oversee the implementation of appropriate procedures to ensure confidentiality, protection and fair treatment of whistleblowers.
- c. Regularly review reports that are coming from the operation of whistleblowing policies and procedures.
- d. Ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up actions
- e. Annually review the operation and effectiveness of the arrangements where staff can raise their concerns with full confidentiality.

Other Responsibilities of the Audit Committee

1. Semi-Annually Certificates to the Group's Audit Committee
To provide semi-annually certificates in the form required by the Group Audit Committee to the Audit Committee of a Principal Subsidiary in the region that monitors the Bank by providing documentation or guarantees as requested by the Group Audit Committee and/or the Audit Committee of a Principal Subsidiary in the region, including: providing periodic certifications; adopting best practices; being forthcoming in sharing information as long as it is 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 and/or its Chair on a regular basis.
2. Annual Review of Terms of Reference and Committee Effectiveness
The Audit Committee shall annually review its terms of reference and its own effectiveness, then give recommendations for necessary changes to the Board of Commissioners.

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

3. Material Deviation

As long as it does not conflict with applicable rules and regulations, the regional Audit Committee (Principal Subsidiary), which monitors the Bank, will be requested to review and provide suggestions on material deviations from the core terms of reference.

4. Report to the Board of Commissioners

The Audit Committee will report to the Board of Commissioners on the matters regulated in these terms of reference and provide additional supervision that may be required regarding the effectiveness of finance and audit functions.

5. Overlapping responsibilities

If there is an overlap of responsibilities between the Audit Committee and other committees under the Board of Commissioners, then the Chair of each committee has the discretion to approve which committee is the most appropriate to fulfil the obligation. Obligations based on the terms of reference of any committee will be deemed by the Board of Commissioners to have been fulfilled, as long as they are handled by the other committee.

Composition of Members of the Audit Committee

The Audit Committee consists of 5 (five) independent members. As of 31 December 2023, the composition of the Audit Committee is as follows:

	Name	Title
1	Catherinawati Hadiman Sugianto	Chairman of the Audit Committee (Independent Commissioners)
2	Umar Juoro	Member of the Audit Committee (Independent Commissioners)
3	Rita Mas'Oen	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

In 2023, the Audit Committee held 6 (six) committee meetings on 23 February 2023, 3 May 2023, 28 July 2023, 28 August 2023, 30 October 2023 and 27 November 2023. The percentage of attendance at the Audit Committee meetings is as follows:

No	Name	Audit Committee Meeting		
		Number of Meeting	Attendance	% Attendance
1	Catherinawati Hadiman Sugianto	6	6	100%
2	Umar Juoro	6	6	90%
3	Rita Mas'Oen	6	6	100%
4	Ubaidillah Nugraha	6	6	100%
5	Kartini Sally	6	6	100%

Risk Oversight Committee

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

The establishment of the Risk Oversight Committee is in accordance with OJK Regulation No. 17 Year 2023 concerning the Implementation of Good Corporate Governance for Commercial Banks.

Risk Oversight Committee Responsibilities

Based on the term of reference of the Risk Oversight Committee, the Risk Oversight Committee has the following responsibilities, authorities, and policies:

1. Evaluate the conformity between the risk management policy and the implementation of the Bank's policy;
2. Monitor and evaluate the performance of the duties of the Risk Management Committee and risk management work unit in order to provide recommendations to the Board of Commissioners.

The Risk Oversight Committee is responsible to the Board of Commissioners and has the responsibility to monitor and provide advice to the Board of Commissioners on:

1. Risk-Related Matter
 - a. Oversee and advise the Board of Commissioners on matters showing potential risks, including both financial and non-financial risks.
 - b. Review and give independent opinions of risk management reports, including the Bank's risk report, which enable the Risk Oversight Committee to:
 - i. Assess the Bank's risk profile and how risks arising from the Bank's businesses are controlled, monitored and mitigated.
 - ii. Focus on current risks and potential risks, which enable the Risk Oversight Committee to assess the Bank's vulnerability to unidentified risks.

- iii. Oversee the framework and its outcomes, to ensure the Bank provides fair treatment for customers and does not disrupt the orderly and transparent operation of financial markets.
- iv. Provide additional assurance as required by the Board of Commissioners regarding the reliability of risk information.

2. Risk Appetite

- a. Risk appetite showcases the Bank's strategy and business plans by considering macroeconomic and financial conditions, drawing on financial stability assessments and other authoritative sources that may be relevant.
- b. Advise the Board of Commissioners on matters related to risk appetite and risk tolerance.
- c. Review and give recommendations on the Bank's risk appetite at least once a year to the Board of Commissioners for approval.
- d. Receive suitable reports to ensure the Bank's approach in setting up risk appetite is in line with regulatory requirements.
- e. If and when requested by the Board of Commissioners, give consideration and advise the Board of Commissioners on risks associated with proposed acquisitions/disposals and due diligence, by focusing in particular on risk aspects and their implications on the Bank's risk appetite and risk tolerance.
- f. Provide suggestions on the alignment of remuneration with risk appetite upon request of the Board of Commissioners or other committee that oversees remuneration.
- g. Give consideration and suggestions to the Board of Commissioners on risks related to cyber security and information security.
- h. Review and advise the Board of Commissioners on risks related to the Bank's IT and operational resilience programmes.

3. Stress Testing

Conduct a review and believe that the Bank has a strong stress testing framework, governance, and related internal controls.

4. Enterprise Risk Management Framework and Internal Control System

- a. Annually review the Bank's risk management framework and make sure that the framework works effectively across the Bank's business lines.
- b. Review the effectiveness of internal control systems (other than internal financial control systems).
- c. To embed and maintain a supportive risk culture, which includes a strong internal control environment.

In executing the above, the Risk Oversight Committee must:

- a. Ensure adequate control is in place for compliance with HSBC Group and the Bank's policies.
- b. Consider any material findings from regulators that are related to risk governance, business conduct, risk assessment, or management processes.
- c. Ensure that there is adequate control over regulatory compliance risks.

5. Internal Audit

- a. Review the internal audit report to gain assurance on the adequacy of the internal control processes.
- b. Ensure that the Audit Committee has been informed of duties of the Risk Oversight Committee in relation to internal audit reports and, in particular, any perceived matters related to the scope or adequacy of internal audit unit's work.

6. External Audit

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

7. Annual Report

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

- a. The Bank's risk disclosures, including strategies in the context of risk management, inherent risks to the Bank's strategies, associated risk appetite and tolerance, as well as how the actual risk appetite is assessed over time.
- b. Information regarding the impact of potential risks faced by the Bank.
- c. The description of how the Bank manages risks and roles of the Risk Oversight Committee in carrying out supervision.

Other Responsibilities of the Risk Oversight Committee

a. Semi-annually Certification to the Group's Risk Committee

To provide semi-annually certificates in the form required by the Group Risk Committee to the risk committee of a Principal Subsidiary in the region that supervises the Bank, 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 that supervises the Bank from time to time including: periodic certifications, adopting best practice, being forthcoming in sharing information as long as it is not conflicting with applicable laws and regulations, and interacting with the Group Risk Committee and/or the risk committee of a Principal Subsidiary in the region that supervises the Bank and/or its Chairman on a regular basis.

b. Annual Review of the Committee's Terms of Reference and Effectiveness

The Risk Oversight Committee shall annually review its terms of reference and effectiveness and submit recommendations to the Board of Commissioners on any necessary changes.

The Risk Oversight Committee shall report to the Board of Commissioners on how they carry out their responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

c. Material Deviation

The regional Risk Committee (Principal Subsidiary), which has oversight functions over the Bank, will be requested to review and provide input on material deviations from the core terms of reference.

d. Reports to Board of Commissioners

The Risk Oversight Committee will report to the Board of Commissioners on the matters stipulated in the terms of reference and will provide additional supervision, if needed, regarding the effectiveness of risk management functions.

e. Overlapping responsibilities

Where there is a perceived overlap of responsibilities between the Risk Oversight Committee and another committee under the Board of Commissioners, the respective committee Chairs shall have the discretion to agree on the most appropriate committee to fulfil the 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 handled by the other committee.

The Risk Oversight Committee consists of five (5) independent members. As per 31 December 2023, the composition of the Risk Oversight Committee is as follows:

Name		Title
1	Umar Juoro	Chairman of the Risk Oversight Committee (Independent Commissioners)
2	Catherinawati Hadiman Sugianto	Member of the Risk Oversight Committee (Independent Commissioners)
3	Rita Mas'Oen	Member of the Risk Oversight Committee (Independent Commissioners)
4	Ubaidillah Nugraha	Member of the Risk Oversight Committee (Independent party with expertise in finance)
5	Kartini Sally	Member of the Risk Oversight Committee (Independent party with expertise in banking)

Meetings

In 2023, the Risk Oversight Committee held 4 (four) internal meetings on 23 February 2023, 3 May 2023, 28 July 2023 and 30 October 2023. The percentage of attendance at the Risk Oversight Committee meetings is as follows:

No	Name	Risk Oversight Committee Meeting		
		Number of Meeting	Attendance	% Attendance
1	Umar Juoro	4	4	100%
2	Catherinawati Hadiman Sugianto	4	4	100%
3	Rita Mas'Oen*	1	1	100%
4	Ubaidillah Nugraha	4	4	100%
5	Kartini Sally	4	4	100%

*) Based on BOD Circular Resolution No. 014/SKS/DIR/VII/2022 dated 31 July 2023, her appointment as member of the Risk Oversight Committee of the Bank has been effective since 31 July 2023.

The Remuneration and Nomination Committee

In accordance with the regulations of the Indonesian Financial Services Authorities and other banking authorities, the Board of Commissioners is required to establish the Remuneration and Nomination Committee to support the implementation of their duties and responsibilities. In carrying out its duties and responsibilities, the Remuneration and Nomination Committee must have an internal policy, which includes work guidelines and procedures that must be acknowledged and complied with by each member of the Committee.

The objective of this Committee is to supervise matters related to remuneration that will affect the Bank, particularly for:

1. Overseeing the implementation of the Bank's remuneration policy;
2. Ensuring that the remuneration policy does not violate any laws, rules, or regulations;
3. Ensuring that remuneration policy is in line with the Bank's risk appetite, business strategies, culture and values, as well as long-term interests;
4. Ensuring an appropriate remuneration policy to attract, retain, and motivate talented individuals to support the Bank's success.

Duties and Responsibilities of the Remuneration and Nomination Committee

Based on the term of reference of the Remuneration and Nomination Committee, the Remuneration and Nomination Committee has the following responsibilities, powers, authorities, and discretion:

1. To consider all aspects of the Bank's remuneration policy in terms of the remuneration framework and provide input in implementing the Bank's remuneration policy in line with compliance with regulations and market conditions.
2. To evaluate the remuneration policy based on the Bank's performance, risks, fairness with peer groups, long-term targets and strategies, as well as reserve fulfilment, as stipulated in applicable regulations.
3. To carry out the Bank's annual pay review process by:
 - a. Considering issues related to the approval of remuneration funding and proposals relevant to the Bank, and escalating any matters that are deemed necessary to the Board of Commissioner; and
 - b. Reviewing and giving recommendations (in certain cases, prior to final approval by the Board of Commissioner) of performance-based remuneration, as well as providing feedback to the Board of Commissioner.
4. To submit evaluation results and recommendations to the Board of Commissioners regarding:
 - a. remuneration policy for the Board of Directors and the Board of Commissioners to be proposed to the GMS;
 - b. remuneration policy for all employees to be submitted to the Board of Directors.
5. To ensure that remuneration policy, practices, and procedures are in line with the Bank's provisions, business objectives and strategies, culture, values, and long-term interests.
6. To prepare and provide recommendations on the system and procedure to select and/or replace members of the Board of Directors and members of the Board of Commissioners to the Board of Commissioners, to be submitted to the GMS.
7. To provide recommendations on prospective members of the Board of Directors and/or prospective members of the Board of Commissioners to the Board of Commissioners to be submitted to the GMS.
8. To provide recommendations to the Board of Commissioners on Independent Parties who will become members of the Audit Committee and the Risk Oversight Committee.

9. To ensure that all employees receive appropriate remuneration to support a sound and effective risk management and the Bank's long-term interests.
10. To ensure that the Bank's remuneration policy complies with applicable regulations and is reviewed in accordance with these regulations.
11. To review performance-based remuneration by referring to the Bank's objectives set by the Board of Commissioners from time to time, and to consider issues, if any, that are related to the approval of remuneration and proposals relevant to the Bank in order to improve the Bank's annual pay review process.

Responsibilities Related to Policy, Risk and Audit

1. Review any remuneration-related matters that need to be reported to the Board of Commissioners, shareholders, and regulators, and assess the implementation of effective controls to ensure that remuneration policies, practices, and procedures are:
 - a. Clearly aligned with the Bank's risk appetite;
 - b. Consistent in promoting the Bank's effective risk management;
 - c. Avoiding taking risks that exceeds the Bank's risk tolerance level;
 - d. Avoiding taking risks that could result in the Bank violating regulations and other legislative obligations.

This includes the review and approval of:

- a. content of the Remuneration Report (if any) in the annual report and including the Bank's reporting (or equivalent) to the Board of Commissioners as a whole; and
 - b. any material report required by regulators representing the Remuneration and Nomination Committee regarding the Bank's remuneration approach;
2. Seek confirmation and advice from the Bank's Risk Management Committee or Risk Management Director, if needed, on the conformity of risk and remuneration and the necessary risk adjustments to be considered in respect of the variable pay pool and remuneration decisions. If there is a difference in viewpoints, appropriate risk adjustments must be submitted by the President Commissioner for further consideration;
 3. Ensure that remuneration policies, practices, and procedures:
 - a. are consistent with and promote the Bank's sound and effective risk management;
 - b. do not encourage risk-taking that exceeds the Bank's risk tolerance level; and

- c. do not encourage risk-taking that result in the Bank's inability to comply with applicable regulations;

Implementation of the Remuneration and Nomination Committee Function

1. The Remuneration and Nomination Committee annually must review the Committee's terms of reference and its effectiveness, as well as recommend any necessary changes to be approved by the Board of Commissioners. In the event of any material deviation from the core terms of reference, the Committee must report it to the Board of Commissioners.
2. Annually, the Remuneration and Nomination Committee must report and inform the Board of Commissioners on how the Remuneration and Nomination Committee has carried out its responsibilities and recommend any action(s) needed to resolve concerns or make improvements.
3. The Remuneration and Nomination Committee may retain opinions and suggestions from experts or other consultants from time to time to assist the Remuneration and Nomination Committee in considering necessary matters to carry out its responsibilities. The Remuneration and Nomination

Committee may obtain such professional external advice if needed by taking into account relevant experience, analysis, and assessment outside the Bank. Any appointment must be made through the Corporate Secretary, who will 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, the Board of Commissioners has the right to appoint the most appropriate committee to fulfil certain obligations. An obligation under the terms of reference of any committee will be deemed to have been fulfilled by the Board of Commissioners, as long as it is carried out by another committees.

Member Composition of the Remuneration and Nomination Committee:

The Remuneration and Nomination Committee consists of six (6) members. As per 31 December 2023, the Committee's composition is as follows:

	Name	Title
1	Umar Juoro	Chairman of the Committee (Independent Commissioners)
2	Martin John Haythorne	Member of the Committee (President Commissioner)
3	Philip David Fellowes	Member of the Committee (Commissioners)
4	Catherinawati Hadiman Sugianto	Member of the Committee (Independent Commissioner)
4	Rita Mas'Oen	Member of the Committee (Independent Commissioner)
5	Chindra Widjaja	Member of the Committee (executive officer in charge of Human Resources)

Throughout 2023, the Remuneration and Nomination Committee has held 6 (six) committee meetings on 30 January 2023, 9 February 2023, 3 May 2023, 28 July 2023, 30 October 2023 and 8 December 2023.

The percentage of attendance at the Remuneration and Nomination Committee meetings is as follows:

No	Name	Remuneration and Nomination Committee Meeting		
		Number of Meeting	Attendance	% Attendance
1	Umar Juoro	6	6	100%
2	Martin John Haythorne	6	6	100%
3	Philip David Fellowes	6	5	83%
4	Catherinawati Hadiman Sugianto	6	6	100%
5	Rita Mas'Oen*	2	2	100%
6	Heni T Budisetio**	4	4	100%
7	Chindra Widjaja***	2	2	100%

*) Based on BOD Circular Resolution No. 013/SKS/DIR/VII/2023 dated 31 July 2023, her appointment as member of the Bank's Remuneration and Nomination Committee was effective as of 31 July 2023.

**) Based on BOD Circular Resolution No. 013/SKS/DIR/VII/2023 dated 31 July 2023, her term of office as member of the Bank's Remuneration and Nomination Committee has ended as of 31 July 2023.

***) Based on BOD Circular Resolution No. 013/SKS/DIR/VII/2023 dated 31 July 2023, his appointment as member of the Bank's Remuneration and Nomination Committee effective as of 31 July 2023.

BOARD OF DIRECTORS

The 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 Bank's management in order to increase added value and ensure business sustainability.

Duties and Responsibilities of the Board of Directors

The Board of Directors is fully responsible for carrying out its duties to achieve the Bank's aims and objectives. The Board of Directors, in good faith and with full responsibility, must carry out their duties, in compliance with applicable laws and regulations and the Articles of Association, including OJK regulation on the implementation of Good Corporate Governance.

Based on the Board of Directors' Term of Reference, main duties of the Board of Directors are as follows:

1. Direct, manage and control the Bank in accordance with its objectives and consistently improve the Bank's efficiency and effectiveness.
2. Dominate, maintain and manage the Bank's properties.
3. Formulate annual work plan, which covers the Bank's annual budget and must be submitted to the Board of Commissioners to obtain their approval prior to the commencement of the next fiscal year.

In terms of the implementation of internal audit function, the Board of Directors is responsible to:

1. Develop internal control framework to identify, measure, monitor and control all risks faced by the Bank.

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

The Board of Directors represents the Bank inside and outside the court, as well as in all related matters, to bind the Bank to other parties and bind other parties to the Bank and to take all actions related to the Bank's management and ownership, limited by provisions in the Articles of Association, by complying with applicable laws and regulations.

The Board of Directors is supported by work units as subordinates and committees established by the Board of Directors to implement GCG in the Bank's operational activities. The Board of Directors supervises the GCG implementation by work units through periodic meetings with the (i) Credit Committee, (ii) Assets and Liabilities Committee, (iii) Risk Management Committee, (iv) Information Technology, Operational, and Services Committee, (v) People Committee, and (vii) Integrated Risk Management Committee.

Composition of the Board of Directors

Composition of the Bank's Board of Directors as of 31 December 2023 is as follows:

Designation	Name
President Director	Francois de Maricourt
Director	Dio Alexander Samsoeri
Director	Riko Adythia
Compliance Director	Nisha Asha Bhambhani
Compliance Director	James Rex Elwes*
Director	Yardley
Director	Lanny Hendra
Director	Carlos, Isidro Quilis**

*) Has tendered his resignation letter dated 29 December 2023 and submitted to OJK.

**) Effectively serves as Director of the Bank since 1 June 2023.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Board of Directors Meeting

The Board of Directors carries out their duties and responsibilities independently of the controlling shareholder. All of the 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. In 2023, the Board of Directors held 12 (twelve) meetings: 27 January 2023, 20 February 2023, 29 March 2023, 18 April 2023, 3 May 2023, 26 June 2023, 28 July 2023, 28 August 2023, 29 September 2023, 20 October 2023, 27 November 2023, and 15 December 2023.

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	10	83%	0	0	100%
2	Stephen Whilton Angell*	5	4	80%	0	0	100%
3	Dio Alexander Samsoeri	12	11	92%	0	0	100%
4	Riko Adythia	12	9	75%	0	0	100%
5	Nisha Asha Bhambhani	12	9	75%	0	0	100%
6	James Rex Elwes	12	11	92%	0	0	100%
7	Yardley	12	11	92%	0	0	100%
8	Lanny Hendra	10	9	90%	0	0	100%
9	Carlos, Isidro Quilis**	7	7	100%	0	0	100%

*1) Effectively resigned as Director of the Bank on 31 May 2023.

**1) Effectively serves as Director of the Bank since 1 June 2023.

Committees under the Board of Directors

In carrying out their duties, the Board of Directors is assisted by 6 (six) Executive Committees, which are (i) the Credit Committee, (ii) the Assets and Liabilities Committee, (iii) the Risk Management Committee, (iv) the Information Technology, Operational, and Services Committee, (v) the People Committee, and (vii) the Integrated Risk Management Committee.

A. Credit Committee

The Credit Committee is created to approve loan distribution proposals, including all matters related to the settlement process for non-performing loans. This is carried out by implementing Good Corporate Governance (GCG) principles and risk management in the credit process of PT Bank HSBC Indonesia.

Credit Committee Authorities and Responsibilities

The Credit Committee is authorised to approve all matters related to the wholesale credit, including but not limited to:

- Decision on the draft credit submitted by the recommender/proposer.
- Approval of all credit applications, regardless of the amount, is subject to compliance with all relevant governance and regulatory requirements.
- Approval of all syndicated credit applications as long as the Bank's position is not inferior to the other banks.
- Approval of Loan Sales regardless of the amount as long as the transaction is conducted on an arm's length basis.
- Approval for Banks and its subsidiaries, sovereign entities, supranational, sovereign wealth fund and HSBC Intragroup (FISBIG).

Members of Credit Committee Credit Committee

The Bank's Credit Committee consists of:

Chairman: President Director

Member:

- President Director
- Finance Director
- Wholesale Banking Director
- Deputy Wholesale Banking Director
- Head of Departments:
 - Head of Corporate Banking
 - Head of Multinationals & ISB
 - Head of Financial & Institutional Group (FIG)
 - Head of Middle Market Enterprise (MME)
 - Head of Business Banking (BB)
- Head of Wholesale Credit Approval
- Wholesale Credit Approver Team Leader

Every decision by the Wholesale Credit Committee must also be stated in writing and be approved by at least 3 (three) members of the Credit Committee:

- Head of Wholesale Credit Approval;
- Either Wholesale Banking Director, or Deputy Wholesale Banking Director, or their delegates; and
- 1 other member of the Credit Committee.

If a Credit Committee meeting cannot be held, it can be substituted by approvals from 3 (three) members of the Credit Committee through document circulation or e-mails, with the same conditions as above.

If there is any dissenting opinion from one of the Credit Committee members, including from the Head of Wholesale Credit Approval or Wholesale Credit Approval Team Leader, which is documented and submitted to the Credit Committee, the Credit Committee's decisions must be obtained with approval from 3 (three) members of the Credit Committee, consisting of two Directors and other members of the Committee.

All credit proposals must acquire support from the Risk Management Director (RMD) before securing approval from the Credit Committee. If the Risk Management Director is absent, the Head of Wholesale Credit Approval (WCA) can provide support for the credit proposal and report directly to the Credit Committee. Such a proposal will require post-facto ratification by RMD upon his/her return.

In the absence of the Head of Wholesale Credit Approval, the authority of the Credit Committee will be automatically delegated to the Wholesale Credit Approval Team Leader.

In the absence of a Wholesale Banking Director or Deputy Wholesale Banking Director, the authority of the Credit Committee will be automatically delegated to the Head of Departments.

B. Assets and Liabilities Committee (ALCO)

The Assets and Liabilities Committee is a committee under the Board of Directors that manages the Bank's overall assets and liabilities in order to maximise returns, enhance profitability, manage capital and funding, and protect the Bank from any severe financial consequences due to liquidity risk, interest rate risk, capital and funding, regulatory, and market conditions.

Responsibilities of Assets and Liabilities Committee

- Manage the balance sheet in order to achieve efficient resource allocation and utilisation, enhance economic profit by increasing net profit, and promote efficiency in the use of capital and funding. This can also be done by improving returns on risky assets in the context of a clearly defined growth policy, reviewing all risks, and ensuring prudent management by considering structural interest rate risk, structural foreign exchange risk, liquidity risk, and funding risk.
- Provide direction and ensure tactical follow-through to create an evolving balance sheet structure to meet performance objectives within prescribed risk parameters.
- Monitor the external environment and measure the impact on future profitability, strategy, and balance sheet factors, such as interest rate volatility, market liquidity, exchange rate volatility, monetary and fiscal policies, customer behaviour and actions of the Bank's competitors, and the impact of accounting and regulatory changes.

4. Understand the interaction between different business lines and portfolios in financial positions, as well as influencing issues such as transfer pricing, behaviour patterns, and resource allocation.
5. Provide a forum to discuss ALCO issues and facilitate teamwork between different businesses and departments to resolve issues between departments, such as transfer pricing.
6. Review overall funding source and allocation.
7. Adopt a forward-looking view and determine the most likely banking environment for asset/liability planning and contingency scenario review.
8. Evaluate alternative interest rates, pricing, and a mixed portfolio scenario; review distributions of assets/liabilities, maturities, and the Bank's rationalisation.

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. Wholesale Banking Director
4. Wealth & Personal Banking Director
5. Head of Global Markets and Securities Services
6. Risk Management Director
7. Operations & IT Director
8. Head of Asset and Liability Capital Management
9. Head of Markets Treasury

Meetings

In 2023, ALCO held 11 meetings on:

- 26 January 2023
- 24 February 2023
- 29 March 2023
- 17 April 2023
- 29 May 2023
- 26 June 2023
- 27 July 2023
- 28 August 2023
- 26 September 2023
- 27 October 2023
- 27 November 2023

C. Risk Management Committee

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

The Purpose and Scope of Risk Management Meeting

The Risk Management Committee serves as the governance body for the company's overall risk management, with particular focus on risk culture, risk appetite, risk profile, and integration of risk management into the Bank's strategic objectives. The Risk Management Committee has the following responsibilities:

- To gain information and consider the Bank's Risk Management reports, which include key issues and common themes identified across the Bank;
- To perform assessment and provide recommendations to the Board of Directors (BoD) regarding risk management, which at least includes:
 - a) formulation of risk management policy, strategy, and guidance with its amendments;
 - b) enhancement or improvement of risk management based on evaluation results of risk management implementation;
 - c) establish guidelines related to business decisions that deviate from normal procedures.
- To consider relevant reports and updates pertaining to the key risks and issues in the Bank, including in all Three Lines of Defence, and authorise further review where required.
- To ensure that risk management practices support desired conduct and culture outcomes.

Members of Risk Management Committee

The Risk Management Committee in 2023 consists of:

Chairman: Risk Management Director

Members:

1. President Director
2. Finance Director
3. Operations and Information Technology Director
4. Wealth & Personal Banking Director
5. Human Resources Director
6. Compliance Director
7. Wholesale Banking Director
8. Head of Global Markets & Securities Services
9. Head of Risk Management & Risk Regulatory Engagement
10. General Legal Counsel

Meetings

Throughout 2023, the Risk Management Committee held 8 (eight) regular meetings on:

- 24 February 2023
- 29 March 2023
- 17 April 2023
- 27 June 2023
- 27 July 2023
- 26 September 2023
- 27 October 2023
- 27 November 2023

D. Information Technology, Operations, and Services Steering Committee

Description

The Information Technology, Operations, and Services Steering Committee monitors the information technology, operational, and service activities and gives recommendations to improve the role of information technology, the efficiency of its operations, and the quality of banking services to customers.

The authorities and responsibilities of the 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 Information Technology policies and main procedures, 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 and act as a catalyst for improving technology, productivity, and operational services;
6. Monitor the resources and actual costs of the activities and projects of Information Technology, Operation, and Services against the budget plan and the Bank's performance and financial targets.
7. Make necessary decisions related to the Information and Technology area;
8. Provide recommendations to the Board of Directors regarding changes in Information Technology, Operations and Services that will significantly affect the Bank's business activities;
9. Monitor the implementation of operational activities and other services, including but not limited to third party governance, reporting and sustainability activities.

Members of Information Technology, Operational, and Services Steering Committee

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

Chairman: Operational and Information Technology Director, who is in charge of Information Technology, Operation, and Services work unit

Members:

1. Wholesale Banking Director
2. Wealth & Personal Banking Director
3. Finance Director
4. Risk Management Director
5. Compliance Director
6. Human Resources Director
7. Head of Global Market and Security Services
8. Chief Information Officer

Additional membership applies in carrying out Third Party monitoring and regulatory reporting:

1. General Legal Counsel
2. Head of Operational and Resilience Risk
3. Head of Procurement
4. Head of Business Services
5. SVP Regulatory Conduct and RSO Lead

Meetings

In 2023, the Information Technology, Operation, and Services Steering Committee held 4 meetings on 24th February, 17th April, 27th July, and 27th October.

E. People Committee

The People Committee is formed to review and carry out strategies, policies, and initiatives related to human resources in PT Bank HSBC Indonesia in compliance with regulations set by regulators and government bodies. This Committee ensures that shareholders' needs are fulfilled and maintains the consistency of employees' activities across a wider scope. The People Committee supports and ensures the implementation of strategic and objective activities, starting with recruitment, motivation, and retention of quality employees.

The People Committee assists the Board of Directors in reviewing and monitoring significant human resources strategies, policies, and initiatives that may arise and are proposed by shareholders to be implemented in PT Bank HSBC Indonesia by adhering to applicable laws and regulations in the Republic of Indonesia.

The People Committee encourages the Human Resources planning that applies to PT Bank HSBC Indonesia, namely planning in Talent & Development, Retention, Remuneration, Pay Review, Employees Industrial Relations, and Transformation, which underline HSBC values, business principles, and laws and regulations.

Duties and Responsibilities

Duties and responsibilities of the People Committee include:

- Review and monitor the implementation of Human Resources Strategies in PT Bank HSBC Indonesia, such as strategies on Diversity, International Mobility, Employee Engagement, Recruitment, Employee Development, etc.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

- Review and monitor the implementation of Human Resources Strategies for Business and Function, to be applied in accordance with the Bank's conditions.
- Review and carry out the Talent Strategy in PT Bank HSBC Indonesia, including the approach and people included in the Country Talent Pool.
- Formulate the Annual Succession Plan between businesses in PT Bank HSBC Indonesia and make recommendations to the Board of Directors, especially for critical executive positions, as well as give recommendations to the Board of Commissioners regarding positions of the Board of Directors.
- Carry out an annual review of the implementation of the performance and reward strategy, including the process of performance assessment, potential assessment, reward, and recognition, as well as the implementation of other important reward strategies and policies.
- Review and monitor significant people risks, including Personal Conduct Case (PCC) metrics, implementation of behaviour management initiatives, voluntary attrition statistics, Global People Survey (GPS) outcomes, and recommended change programmes.
- Review and monitor progress against objectives defined in the people quadrant of the President Director's scorecard.
- Review changes to organisational structures and decisions related to organisational design.
- Record activity reviews of the Diversity Committee, Social Committee, and Culture Plan.

Members of the People Committee

- a. Chairman : President Director
- b. Vice Chairman : Human Resources Director
- c. Members :
 1. Wealth & Personal Banking Director
 2. Wholesale Banking Director
 3. Operations and Information Technology Director
 4. Risk Management Director
 5. Finance Director
 6. Compliance Director
 7. Head of Global Markets & HSBC Securities Services
 8. Head of Corporate Secretary
 9. Head of Communication
 10. Chief of Staff
 11. General Legal Counsel
- d. Secretary : SVP HR Consultant

Meetings

During 2023, the People Committee held 7 (seven) meetings on:

- 24 February 2023
- 29 March 2023
- 19 June 2023

- 27 July 2023
- 30 August 2023
- 8 November 2023
- 8 December 2023

IMPLEMENTATION OF FINANCIAL CONGLOMERATES

With the revocation of the business licence of the Hongkong and Shanghai Banking Corporation Limited Branch Office in Jakarta by the Financial Services Authority (OJK), there have been changes to the members of HSBC Financial Conglomerates Governance in Indonesia since 8 April 2019, with PT Bank HSBC Indonesia as the Main Entity and PT HSBC Sekuritas Indonesia as an affiliated company that became members of the financial conglomeration.

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 performs its duties and responsibilities in accordance with provisions in both OJK regulations. As the Main Entity, the Bank has created an Integrated Corporate Governance Committee and Integrated Risk Management Committee.

A. Integrated Corporate Governance Committee

The Integrated Corporate Governance Committee is established based on the Circular Resolution of the Board of Commissioners of the Main Entity dated 8 August 2017. The Integrated Corporate Governance Committee acts independently in performing their duties and reporting and is responsible to the Board of Commissioners of the Main Entity.

Duties and Responsibilities of the Integrated Corporate Governance Committee

Based on Integrated Corporate Governance Committee guidelines stipulated on the Board of Commissioners Decree No. 024/SK/KOM/VIII/2019 dated 27 August 2019, OJK Regulation No. 18/POJK.03/2014, and OJK Circular Letter No. 15/SEOJK.03/2015 regarding the Governance Implementation for Financial Conglomerates, the Committee of Integrated Corporate Governance has the following duties and responsibilities:

1. Evaluate Integrated Corporate Governance implementation at least through assessment of internal control adequacy and integrated implementation of compliance function;
2. Give recommendations to the Board of Commissioners of the Main Entity to update Integrated Corporate Governance Guidance;
3. Must hold internal meetings at least once every 6 (six) months.

4. The Integrated Corporate Governance Committee meetings can be held via video conference.
5. Resolutions of Integrated Governance Committee meetings are recorded in the well-documented minutes of the meeting.
6. Any dissenting opinion that happens at Integrated Corporate Governance Committee meetings must be clearly stated in the minutes of the meeting, including the reasons for the dissenting opinions.

Members of the Integrated Corporate Governance Committee

1. Based on OJK Regulation No 18/POJK.03/2014 and OJK Circular Letter No. 15/SEOJK.03/2015 concerning the Implementation of Integrated Corporate Governance for Financial Conglomerates, the Integrated Corporate Governance Committee at least consists of:

- a. an Independent Commissioner who is a Chairman of one of the committees at the Main Entity committees. He/she acts as a chairman and a member
- b. an Independent Commissioner who is representing and appointed by a Financial Services Institution within the Financial Conglomeration. He/she acts as a member
- c. an independent party as a member.

2. The number and structure of Independent Commissioners who become members of the Integrated Corporate Governance Committee is commensurate with the needs, efficiency, and effectiveness of the Integrated Governance Committee's implementation of duties by considering the representation of each financial services sector.
3. An Independent Commissioner might be a permanent or non-permanent member of the Integrated Corporate Governance Committee.

Meetings

Throughout 2023, the Integrated Corporate Governance Committee held 2 (two) meetings on 23 February 2023 and 28 July 2023.

No	Name	The Integrated Corporate Governance Committee Meeting		
		Number of Meetings in accordance with the Effective Period	Attendance	% Attendance
1	Catherinawati Hadiman Sugianto	2	2	100%
2	Ubaidillah Nugraha	2	2	100%
3	Krishna Suparto	2	2	83%
4	Kartini Sally	2	2	100%
5	Rita Mas'Oen	2	2	100%

B. Integrated Risk Management Committee

The Integrated Risk Management Committee is established to provide recommendations regarding integrated risk management policies to the Board of Directors of the Main Entity, which is PT Bank HSBC Indonesia.

The Integrated Risk Management Committee has the authority 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 based on evaluation results of the implementation.

Main Roles of Members of the Integrated Risk Management Committee:

- a. To provide input to the Integrated Risk Management Committee on meeting topics and materials that will be discussed in the Integrated Risk Management Committee meeting.

- b. To provide input in the form of information and analysis that are related to the topic discussed in the Integrated Risk Management Committee meeting.

Members of the Integrated Risk Management Committee in HSBC Indonesia includes:

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

Meetings

During the course of 2023, the Integrated Risk Management Committee held three meetings on 13 February 2023, 16 May 2023, 11 August 2023 and 3 November 2023.

CORPORATE SECRETARY

Corporate Secretary Profile

The Bank's Corporate Secretary position is held by Uliya Ariani, an Indonesian citizen. She has served as the Bank's Corporate Secretary since August 2017. She obtained her Bachelor's Degree in Law from the University of Indonesia. After starting her career as Legal Counsel in 2000, she then pursued a career in the banking industry at PT Bank OCBC NISP Tbk in 2003. She has held various positions at the company, such as Corporate Legal Head, Corporate Secretary from 2008–2013, and Executive Assistant to the Board of Commissioners from late 2013–2015. She also held positions as Corporate Secretary and Head of Corporate Legal Division at PT Bank QNB Indonesia Tbk in early 2013 and Corporate Secretary and Head of Corporate Legal Division at PT Bank Mayora in January 2016 until July 2017.

The Corporate Secretary has a responsibility to disclose all material information regarding the Bank to stakeholders accurately and in a timely manner. The announcement regarding the Bank's condition and performance is conducted in accordance with applicable laws and regulations, as well as the Bank's Articles of Association.

The Corporate Secretary's functions and responsibilities include assisting the Board of Commissioners and the Board of Directors in implementing corporate governance, such as:

- a. Providing 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. Giving direct support to the Board of Commissioners, Committees under the Board of Commissioners, and the Board of Directors regarding Good Corporate Governance and capital market regulations, if necessary.
- c. Understanding and addressing the changes or amendments in Indonesian laws and regulations that are related to Good Corporate Governance and the duties of the Corporate Secretary.

COMPLIANCE FUNCTION

PT Bank HSBC Indonesia continues to focus on improving the management of risks faced by the Bank, such as compliance risk and financial crime, in order to have a strong foundation for future business growth. Having compliance roles and functions as well as the compliance work unit is essential for the Bank so that potential risks to the Bank's business activities can be detected early.

Internally, the Bank has Guidelines for the Establishment and Implementation of Compliance Functions in order to improve the Bank's performance, increase compliance with applicable laws and regulations, and generally accept ethical values in the banking industry.

The Compliance Function is under the responsibility of the Compliance Director. The Compliance Director reports directly to the President Director.

To support effective and efficient compliance, PT Bank HSBC Indonesia Compliance Function has working teams that comprise the Compliance Advisory, Regulatory Conduct & Risk Steward Oversight (RSO), Compliance Assurance, and Financial Crime (FC) work units.

The Compliance Advisory team supports all business lines and other functions in PT Bank HSBC Indonesia to identify and manage compliance risks, as well as monitor them independently and objectively. In general, the Compliance Advisory team provides advice and guidance for business lines and other functions in PT Bank HSBC Indonesia so their activities are in accordance with regulations.

The Regulatory Conduct & RSO team supports the Compliance Function in PT Bank HSBC Indonesia by monitoring the compliance risk management and implementation of compliance programmes, facilitating the relationship between the Bank and regulators, as well as ensuring the impacts on customers and market integrity are considered in each of the Bank's actions and behaviours, including the behaviour of its employees.

Financial Crime (FC) is a dedicated work unit that supervises several programmes, including Anti-Money Laundering and Counter-Terrorism Financing (AML-CTF), Sanctions, Anti-Bribery, and Corruption, as well as Tax Transparency in all lines within the Bank. This work unit is also responsible for establishing the Anti-Fraud policy for the Bank.

The Compliance Assurance team compliments the management's direct supervision of the business process. Compliance monitoring on procedures and analysis related to Financial Crime and Regulatory Compliance risk indicators is carried out by the first line of defence and risk stewards.

To ensure the implementation of the Function at the Bank, the Compliance Director, assisted by the Compliance Work Unit, will:

- ensure the implementation of a Compliance Culture at all levels of the Bank's organisation and business activities
- manage Compliance Risk
- ensure that the Bank's policies, provisions, systems, and procedures, as well as its business activities are in accordance with provisions of the Financial Services Authority, Bank Indonesia and applicable laws and regulations
- ensure compliance with the Bank's commitments to the Financial Services Authority, Bank Indonesia and/ or other competent supervisory authorities.

To monitor the integrated governance supervision, PT Bank HSBC Indonesia becomes the main entity of the HSBC financial conglomerate in Indonesia. Therefore, the Bank's Compliance Function formed the Integrated Compliance Work Unit to ensure that compliance is carried out properly in PT Bank HSBC Indonesia as the main entity and other member of the conglomeration, which is PT HSBC Sekuritas Indonesia.

Based on the self-assessment results, all members of HSBC financial conglomerate in Indonesia have carried out governance principles in all of their business activities at all levels of the organisation in order to improve performance, efficiency, and services to stakeholders.

In the 2024-2026 Business Plan that has been submitted to the OJK, the Compliance Function has stated that in 2024, it will continue to focus on monitoring and ensuring that the Bank's business activities do not deviate from applicable regulations.

The focus of Compliance implementation at PT Bank HSBC Indonesia includes:

- a. The Compliance Work Unit proactively supervises the fulfilment of prudential banking principles, which include the ratio of Minimum Capital Requirement (KPMR) / Capital Adequacy Ratio (CAR), Net Open Position (PDN), Statutory Reserves (Rupiah and Foreign Currency), Daily Balance Position of Short-Term Foreign Loans, Allowance for Impairment Losses, and Non-Performing Loan Ratio, in accordance with applicable regulations.
- b. Consistently assess the provisions of prudential banking principles for credit disbursement to Large Debtors and related parties through a Compliance Checklist in order to avoid violating the Legal Lending Limit (LLL) provisions and other applicable provisions.

- c. The Compliance function attends meetings of the Audit Committee, Risk Monitoring Committee, Assets and Liabilities (ALCO) Committee, Risk Management Committee, and Information Technology, Operational, and Services Steering Committee.
- d. The Compliance function also monitors the assessment results of related regulators and ensures follow-up actions on all of the Bank's commitments to these findings.
- e. The Compliance function actively monitors and supervises the fulfilment of reporting obligations to regulators.
- f. The Compliance Function is also responsible for overseeing, escalating, and providing guidance in identifying the impact of actions across all types of risks and activities carried out by the first line. This includes weak control and risky events that could affect the delivery of good outcomes. The Compliance function will also continue to encourage good practices through various awareness programmes for all employees.

As part of compliance risk management, PT Bank HSBC Indonesia has held the Anti-Money Laundering and Counter-Terrorism Financing (AML-CFT) programs. These programmes cover the five pillars of AML-CFT risk management that are in line with the provisions, namely: Active Management Supervision, Policies and Procedures, Internal Audit and Control Functions, Information Systems Management and Training/ Human Resources.

In implementing the above AML-CTF programs, in addition to applicable provisions based on Bank Indonesia regulations and/or other regulations, PT Bank HSBC Indonesia also adopts provisions based on HSBC Group Global Standards, as long as they do not conflict with local regulations.

Compliance with these policies and other related guidelines is essential to ensuring that the Bank complies with laws and regulations regarding Anti-Money Laundering, maintains the effectiveness and defence of the AML-CTF programme, and manages AML-CTF risks properly. All Bank's employees are expected to comply with this policy and applicable laws, rules, and regulations regarding AML-CTF in Indonesia. To ensure this, the Bank always carries out training and human resource development programmes related to AML-CTF since an employee starts working in PT Bank HSBC Indonesia and holds specific programmes for employees who have high exposure to the implementation of AML-CTF in their duties and responsibilities.

LEGAL ISSUES

As of 31 December 2023, there are 7 (seven) legal cases involving the Bank, in which the frequency and/or financial impacts are considered insignificant in affecting the Bank's financial condition and reputation.

SHARE OPTIONS

The Bank did not have a share options program throughout 2023.

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

No members of the Board of Commissioners and the Board of Directors, individually or collectively, have 5% (five percent) shares or more of the Bank's paid-up capital.

AFFILIATED RELATIONS

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

Name	Has affiliated relations with					
	Board of Commissioners		Board of Directors		Shareholders	
	Yes	No	Yes	No	Yes	No
Martin John Haythorne	-	✓	-	✓	✓	-
Umar Juoro	-	✓	-	✓	-	✓
Catherinawati Hadiman Sugianto	-	✓	-	✓	-	✓
Mark Surgenor	-	✓	-	✓	✓	-
Philip David Fellowes	-	✓	-	✓	-	✓
Rita Mas'Oen	-	✓	-	✓	-	✓
Francois de Maricourt	-	✓	-	✓	✓	-
Dio Alexander Samsoeri	-	✓	-	✓	-	✓
Riko Adythia	-	✓	-	✓	-	✓
Nisha Asha Bhambhani	-	✓	-	✓	-	✓
James Rex Elwes	-	✓	-	✓	✓	-
Yardley	-	✓	-	✓	-	✓
Lanny Hendra	-	✓	-	✓	-	✓
Carlos, Isidro Quilis	-	✓	-	✓	✓	-

SELF-ASSESSMENT

Based on the self-assessment results, Good Corporate Governance at PT Bank HSBC Indonesia for the December 2023 period was rated as 2. The rating reflects that, in general, the Bank's management has implemented good governance.

PT Bank HSBC Indonesia has implemented GCG principles in all of its business activities at every organisational level. This also reflected a concrete embodiment of the Bank's high effort in terms of good corporate governance and the Bank's seriousness in complying with applicable laws and regulations. The objectives are to improve performance, efficiency, and services to stakeholders by adhering to provisions that stipulate the Bank's GCG implementation.

The composition of the Board of Directors, which consists of local and foreign workers, has met the regulatory requirement that the majority of the Board of Directors are Indonesian citizens.

The infrastructure at PT Bank HSBC Indonesia has been well implemented, where each function of the organisational structure has written and clear duties and responsibilities. Every operational activity at the Bank is carried out with policies and procedures that are formulated based on prudence principles, compliance with applicable regulations, and risk management.

PT Bank HSBC Indonesia has implemented a good governance process supported by an adequate and effective governance structure, in accordance with the complexity of the Bank's business, statutory provisions, regulations of the Financial Services Authority, Bank Indonesia, and other monetary authorities. Each of the Bank's operational activities is carried out by referring to applicable provisions, laws, and regulations in line with the functions and authorities of PT Bank HSBC Indonesia structural organs. There is adequate structural and infrastructure support based on the complexity of the Bank's business in implementing the governance process.

PT Bank HSBC Indonesia continues to carry out supervision to maintain the Bank's financial performance so that the financial target can be achieved, as stated in the Bank's Business Plan Realisation Report.

INTERNAL AUDIT WORK UNIT (SKAI)

The Internal Audit Work Unit (SKAI) is an integral part of the Bank's governance and control framework. The primary role of SKAI is to assist the Board of Commissioners and Executive Management in protecting the assets, reputation, and business sustainability of PT Bank HSBC Indonesia. SKAI provides an independent and objective view of the effectiveness of the design and implementation of a risk management framework at the Bank and assesses whether the Bank's control and governance processes, designed and represented by the management, are adequate.

PT Bank HSBC Indonesia has adopted a risk management and internal control structure, referred to as "Three Lines of Defence," in order to ensure that the Bank can achieve its commercial objectives while adhering to regulatory and legal requirements and fulfilling its responsibilities to shareholders, customers, and employees. The role of SKAI as the third line of defence is independent of the first and second lines of defence.

In terms of organisation, SKAI is led by the Head of SKAI, who is appointed by the President Director after receiving approval from the Board of Commissioners based on recommendations from the Audit Committee. The Head of SKAI reports to the President Director and can communicate directly with the Board of Directors, the Board of Commissioners, and the Audit Committee on the state of risk management and internal control throughout the Bank. In order to ensure the independence and objectivity of the audit, SKAI must be independent of operational activities.

In carrying out audits, SKAI has unrestricted access at any time to all of the Bank's records, personnel, properties, and operations. The work unit also has authority to coordinate with external auditors and attend all strategic

meetings, such as the Board of Directors meetings and Risk Management meetings, to convey the conclusion of audit findings and obtain the latest information on current issues and the Bank's strategic development.

SKAI also provides independent assurance to management on the effectiveness of processes that are carried out to manage fraud. If material fraud occurs, SKAI will review the nature of the incident and the adequacy of recent audit coverage to ascertain whether the fraud could or should have been detected early and whether any weaknesses in control that gave rise to the fraudulent opportunity could or should have been detected.

SKAI reviews the management's action plans regarding material audit findings and ensures the adequacy and effectiveness of controls.

EXTERNAL AUDIT

The Bank establishes transparent cooperation with Public Accounting Firms. The Bank assigns Public Accounting Firm with robust reputation in accordance with the public accountant professional standard and is affiliated with an international Public Accountant Firm. The 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 the Financial Services Authority (OJK), will communicate directly with OJK about the condition of the audited Bank during the preparation and implementation of the audit process.

The appointment of a Public Accounting Firm for the Bank is in accordance with the prevailing law and regulations. Based on the power and authority granted by GMS to assign Public Accounting Firm registered in OJK, the Board of Commissioners assigned KAP Tanudiredja, Wibisana, Rintis & Rekan as the Bank's independent Public Accounting Firm that audited the Bank's financial statements for 2023 based on the recommendation from Audit Committee and considering prevailing laws and regulations.

KAP Tanudiredja, Wibisana, Rintis & Rekan has completed their audit on the Bank's 2023 financial statements and provided audit report dated 26 March 2024 to the Bank and was capable to work independently, fulfilled the public accountant professional standard and the engagement agreement as well as the determined audit scope.

Public Accountant Firms and Public Accountants providing Audit of Annual Financial Statements for the last nine years are as follows:

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

Year	Public Accountant Firms	Public Accountants
2015-2017	KAP Tanudiredja, Wibisana, Rintis & Rekan	Lucy Luciana Suhenda, S.E., Ak., CPA
2018	KAP Tanudiredja, Wibisana, Rintis & Rekan	Drs. M. Jusuf Wibisana, M.Ec., CPA
2019-2020	KAP Tanudiredja, Wibisana, Rintis & Rekan	Angelique Dewi Daryanto, S.E., CPA
2021-2023	KAP Tanudiredja, Wibisana, Rintis & Rekan	Lucy Luciana Suhenda, S.E., Ak., CPA

The KAP Tanudiredja, Wibisana, Rintis & Rekan was awarded IDR5,157 million* for the Bank financial statements audit services and IDR77 million* for Custodian agreed upon procedures.

Note: *Excluded Value Added Tax and Out of pocket expenses.

THE IMPLEMENTATION OF RISK MANAGEMENT

The Bank puts an effort into risk management to fulfil the requirements stipulated in the Financial Services Authority (OJK) Regulation No. 18/POJK.03/2016 and OJK Circular Letter No. 34/SEOJK.03/2016 regarding Risk Management Implementation for Commercial Banks, by considering the recommendations of the Basel Committee on Banking Supervision.

In line with these regulations, the Bank has implemented risk management policies to ensure that risks arising from business activities can be identified, measured, managed, and reported. At the end, the Bank is expected to carry out business activities with better performance. The implementation of risk management could provide a more accurate overview of the Bank's performance in the future, such as the possibility of potential losses as well as improvements in methods, decision-making processes, and risk assessment due to the availability of current information. This is expected to increase the Bank's competitiveness and performance.

The Bank continues to develop and improve risk management systems by upgrading the Management Information System (SIM) in order to anticipate risks at an earlier stage, as well as taking necessary measures to minimise risk impacts. Therefore, the risk management process of identifying, measuring, supervising, and controlling risks can be carried out consistently. Expanding the risk management framework is conducted by establishing a Risk Management Work Unit.

Currently, the Risk Management Work Unit continuously ensures that implementation of the risk management process runs smoothly and provides an overview of the Bank's risk profile to management.

Authorities and responsibilities of the Risk Management Working Unit include:

- Monitors the implementation of risk management strategy that has been laid out at the Risk Management Committee meeting and approved by the Board of Directors.
- Monitor overall risk positions/exposures, based on type of risk or business/ functional activity.
- Conduct periodic review on the risk management process.
- Conduct stress testing to find out the impact of risk management policy and strategy implementation on the performance of each Operational Working Unit.
- 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/ launch new activities/products in terms of system reliability and procedural safety, as well as its impact on the Bank's risk exposure.
- Provide recommendations 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 are used by the Bank for risk measurement.
- Prepare and submit a risk profile report to the Risk Management Director and the Risk Management Committee on a quarterly basis, or sooner for certain types of risk that may change rapidly following changes in business conditions.

As part of the active supervision of the Board of Commissioners and the Board of Directors regarding the implementation of risk management policies, the Bank has established a Risk Management Committee that is independent of operational activities and responsible to the Board of Directors, as well as established a Risk Oversight Committee to support the Board of Commissioners' supervisory functions.

RISK PROFILE

The Bank's composite risk profile rating as of 31 December 2023, is ranked 2. All inherent risk ratings were low to moderate. Meanwhile, Credit Risk was ranked as moderate, and Reputational Risk was ranked as low. Overall, ratings for the quality of risk management implementation were satisfactory.

Risk Management Process

Currently, the implementation of the Bank's risk management is carried out in accordance with OJK provisions. The implementation process starts with risk identification, risk measurement, risk monitoring and limits, a risk management information system, and reporting. In implementing risk management, the Bank takes into account the type, scale, and complexity of business activities, the capability of the data collection system, as well as the ability of the relevant Bank executives to understand the limitations of the final results of the applied risk measurement system.

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

RISK MANAGEMENT CERTIFICATION

The Bank's executives and employees have participated in Risk Management Certification in stages. As of 2023, about 1,649 of the Bank's employees have been certified for risk management according to their positions. Furthermore, 1,183 employees have completed the risk management certification refresher programme, both internally and externally.

DETAILED PROVISIONS OF LARGE FUND

Table of Provision of Funds to Related Parties and Large Exposure as of 31 December 2023

No	Fund Provision	Amount	
		Debtors	Rp million)
1	To Affiliated	28	3,410,425
2	To Core Debtors		
	1. Individual	3	2,519,098
	2. Group	145	37,867,324

REMUNERATION DISCLOSURES 2023

The 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 171.

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 2023

The Bank have refreshed our remuneration strategy and wider employee proposition last year in order to strengthen the Bank's ability to attract, retain and motivate the talent we need in a competitive labour market. The refreshed reward principles and supporting commitments are:

- We will reward you responsibly. We will give you financial security, we are competitive and we are unbiased.

- We will recognise your success. We recognise achievements, we reward performance and you will get feedback and recognition.
- We will support you to grow. You can learn, you are a priority and there are lots of flexibility,

During 2023, we have undertaken a significant amount of work to review our performance process and pay structures to simplify, improve transparency and create an environment focused on growth, learning and motivating colleagues to perform. We intend to launch the performance and pay changes in 2024 to support the delivery of our business strategy.

Independent Remuneration Review 2023

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 2023

The remuneration policy applies to all individuals, employees as well as members of the Board of Commissioners and members of the Board of Directors.

In line with the refreshed remuneration strategy, we have developed a roadmap to build on our strong benefits and wellbeing programme, including flexible working and a more inclusive and sustainable proposition.

In response to the elevated challenges we are facing internally as well as externally, including the cost of living pressures, we continued to focus on making responsible reward decisions through the annual pay review, we also took action on pay security by allocating more to fixed pay increases than in prior year, and this was based on consistent principles to help address the impact of rising inflation.

Remuneration Related to Risk 2023

The Bank implemented the alignment of risk and reward, and embedded HSBC's conduct and values expectations through a number of reward policies and programmes, as follows:

- Mandatory risk and compliance 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 behaviour by colleagues, promoting a shared understanding of what HSBC values look like in practice. In 2023, Bank ran a spotlight on innovation to recognise exceptional actions of employees who contributed to concrete action on improving the way of working, providing creative solution for customers and demonstrating an entrepreneurial mindset
- 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) 2023 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 2023

The focus on Bank-wide performance management is to continue the embedding effective culture of continuous performance and feedback by having frequent and transparent 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 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 2023

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 USD 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 2023

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 2023

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 is determined in the General Meeting of Shareholders.

The Types of Remuneration and Facilities for the Board of Directors and Board of Commissioners of the Bank

Type of Remuneration and Facilities	Amount Received in 1 Year			
	Board of Directors		Board of Commissioners	
	Number of individuals	Rp Million	Number of individuals	Rp Million
1 Remuneration (salary, bonus, routine allowances, tantiem, and other facilities in the form of non-natura)	8	68,729	3	7,799
2 Other facilities in the form of natura (housing, transportation, health insurance, etc.)	8	23,969	3	254
TOTAL		92,698		8,053

Total Members of the Board of Directors/the Board of Commissioners of the Bank who Receives the Remuneration Package in One Year Classified into the Range of Income Level

Total Remuneration per individual in 1 year	Number of the Board of Directors	Number of the Board of Commissioners
Above Rp2 billion		8
Above Rp1 billion up to Rp2 billion	3	
Above Rp500 million up to Rp1 billion		
Below Rp500 million		

Variable Remuneration 2023

Variable remuneration that comprises bonuses and incentives are awarded to drive and reward performance based on financial and non-financial measures consistent with the medium to long-term strategy, shareholder interests, and adherence to HSBC values. Awards vary depending on individual performance achievement and the Bank holds 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 annual award may be deferred and vested over a period of three to five years.

Number of Directors, Commissioners, and Employee receiving Variable Remuneration in 1 (one) year

Variable Remuneration	Total Receive in 1 Year					
	Board of Directors		Board of Commissioners		Employees	
	Number of individuals	Rp Million	Number of individuals	Rp Million	Number of individuals	Rp Million
TOTAL	8	9,964	-	-	2525	207,263

Positions of Material Risk Takers 2023

The 2023 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 Markets & Securities Services
4. Wealth and Personal Banking Director
5. Wholesale Banking Director
6. Operations and IT Director
7. Finance Director

Ratio of Highest and Lowest Salary

Remarks	Ratio
Ratio of highest and lowest employee salary	1:141.73
Ratio of highest and lowest of Director salary	1:2.57
Ratio of highest and lowest Commissioner Honorarium	1:1.12
Ratio of highest Director salary and highest employee salary	1:1.32

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	-	-	-	-	4	1,070

Number of Terminated Employees and Total Nominal of Severance Paid 2023

68 employees were terminated with total severance pay of IDR 20,908 billion 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	Number of Employees
Above Rp1 billion	3
Above Rp500 million up to Rp1 billion	7
Below Rp500 million	58
TOTAL	68

Deferred Variable Remuneration

	2023
Deferred Variable Remuneration (in Million Rupiah)	4,589

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

	2023	
A. Fixed Remuneration (in Million Rupiah)		
1. Cash	36,668	
2. Shares or share-based instruments	-	
	Non Deferred	Deferred
B. Variable Remuneration (in Million Rupiah)		
1. Cash	13,947	2,654
2. Shares or share-based instruments	3,981	4,225

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)	5,678	-	-	-
Shares or share-based instruments (in Million Rupiah)	10,103	-	-	-
Total (in Million Rupiah)	15,781	-	-	-

Internal Fraud

Throughout 2023, there were no significant internal fraud cases committed by the management, permanent employees and non-permanent employees regarding in relation to the Bank's business processes and operations.

Customer Complaint Handling

The Bank has a system called CMS (Complaint Management System) that records and handles customer complaints. The system also monitors the progress of complaints from the first time they are logged until they are resolved and closed to ensure that incoming complaints are well managed based on applicable regulations. This is expected to improve customer satisfaction with the Bank's products and services, as well as manage the reputational risk related to the complaints.

The Bank also ensures that customers are aware of the Bank's complaint procedure since the beginning of their banking relationship. Procedures shall include:

- Clear explanation of how to file a complaint
- Estimated time required by the Bank to respond to complaints.
- Complaint process if there are third-party providers involved.
- Possible escalation of the complaint to the mediator.

PT Bank HSBC Indonesia also ensures that all employees fully understand procedures for customer complaint handling by periodically carrying out comprehensive training programmes on complaint handling management.

The Bank has provided various channels for receiving Complaints, including Contact Centres, Branch Offices, HSBC Internet Banking, Online, and Social Media. Every complaint received will be followed up in accordance with regulations.

For detailed information please refer to the website with the following link:
<https://www.hsbc.co.id/1/2/en/contact-us>

Throughout 2023, the Bank has received a total of 4,016 complaints. Most of the complaints were related to the ATM Payment System and/or Debit Cards and the Credit Card Payment System.

As at 31 December 2023, around 97.46% of total complaints received had been resolved by the Bank, whilst the remaining 2.54% were still in the resolution process.

CUSTOMER COMPLAINT HANDLING

January - December 2023

No	Types of Financial Transaction	Completed		In Process ^{*)}		Uncompleted		Total Complaints
		Total	%	Total	%	Total	%	
1	Fund gathering – Current Accounts	-	-	-	-	-	-	-
2	Fund gathering – Savings	4	100.00%	-	-	-	-	4
3	Fund gathering – Deposits	-	-	-	-	-	-	-
4	Fund gathering - Interbank	-	-	-	-	-	-	-
5	Fund gathering - Others	9	100.00%	-	-	-	-	9
6	Fund provision – Credit/Financing - Investment	-	-	-	-	-	-	-
7	Fund provision – Credit/Financing - Working Capital	-	-	-	-	-	-	-
8	Fund provision – Credit/Financing – Consumption (other than credit card)	15	100.00%	-	-	-	-	15
9	Fund provision - Interbank	4	100.00%	-	-	-	-	4
10	Fund provision - Others	26	100.00%	-	-	-	-	26
11	Payment System – ATM and/or Debit Cards	1,320	97.63%	32	2.37%	-	-	1,352
12	Payment System – Credit Cards	1,067	97.80%	24	2.20%	-	-	1,091
13	Payment System – Prepayment Cards	-	-	-	-	-	-	-
14	Payment System – Direct Debit	-	-	-	-	-	-	-
15	Payment System – Standing Instruction	1	100.00%	-	-	-	-	1
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	206	99.52%	1	0.48%	-	-	207
20	Payment System - Remittance	11	100.00%	-	-	-	-	11
21	Payment System - Others	21	100.00%	-	-	-	-	21
22	Joint Products - Bancassurance	-	-	-	-	-	-	-
23	Joint Products – Mutual Funds	-	-	-	-	-	-	-
24	Joint Products - Others	11	91.67%	1	8.33%	-	-	12
25	Other Product – Bank Guarantee	-	-	-	-	-	-	-
26	Other Product – Trade Finance	-	-	-	-	-	-	-
27	Other Product – Derivative	-	-	-	-	-	-	-
28	Other Product – Wealth Management	9	100.00%	-	-	-	-	9
29	Other Product – Safe Deposit	-	-	-	-	-	-	-
30	Other Product - Others	583	99.15%	5	0.85%	-	-	588
TOTAL		3,295	98.12%	63	1.88%	-	-	3,358

Notes:

^{*)} Data is updated as of 31 December 2023. At the time of publication, these customer complaints have been settled within the OJK requirement.



CORPORATE DATA

SENIOR EXECUTIVE **PROFILE**

ALI SETIAWAN

Head of Markets & Securities Services

He has served as Head of Markets & Securities Services PT Bank HSBC Indonesia since 17 April 2017. He obtained Master of Commerce in Economic & Finance, and Bachelor's Degree in Accountancy and Finance, from Curtin University of Technology, Perth, Australia.

ARIAVITA PURNAMASARI

Head of Communications and Corporate Sustainability

She has served as Head of Communications and Corporate Sustainability since 15 March 2021. She obtained her Master's Degree in Business Administration from Monash University, Australia.

WIWIEN WIDYANTARI

Head of Internal Audit

She has joined as Head of Internal Audit PT Bank HSBC Indonesia since 25 November 2019. She obtained Master Degree in Commerce majoring 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 PT Bank HSBC Indonesia since 7 August 2017. She obtained Bachelor's Degree in Law from Universitas Indonesia.

GRACE ROSALIE PAPILAYA

General Legal Counsel

She has served as General Legal Counsel PT Bank HSBC Indonesia since 3 July 2017. She obtained Bachelor's Degree in Law from Universitas Indonesia.

ADDRESS OF OFFICES & BRANCHES

JAKARTA

HSBC - KEBON JERUK

Jl. Puri Lingkar Dalam Blok T8, Kembangan Selatan,
Jakarta Barat 11610

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 - MELAWAI

Jl. Melawai Raya No. 26, Kel. Kramat Pela,
Kec. Kebayoran Baru, Jakarta Selatan

HSBC - PONDOK INDAH

Pondok Indah Office Tower 2,
Lt GF Unit G01 & Lt Mezzanine Unit 101.
Jl. Sultan Iskandar Muda Kav V-TA,
Pondok Indah, Jakarta Selatan

HSBC - PLUIT

Jl. Muara Karang Raya Blok B-8 Utara No.1,
Jakarta Utara, 14440

HSBC - WISMA 46

Gedung Wisma 46 - Kota BNI Ruang G.02 Lantai Dasar,
Jl. Jendral Sudirman Kav.1, Jakarta Pusat

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 - 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

TANGERANG

HSBC - BSD

Foresta Business Loft 2 Unit 31 Ruko Perkantoran,
Jl. BSD Raya Utama, Pagedangan, Tangerang 15339

HSBC - GADING SERPONG

Ruko Rodeo Drive Blok A No 1, Jl Gading Serpong
Boulevard, Kel. Pakulonan Barat, Kec. Kelapa Dua
Tangerang 15810

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, Kel Pasar Pagi, Samarinda
Kalimantan Timur 75242

DENPASAR

HSBC - DENPASAR

Ruko Sudirman Panjer, Jl. PB Sudirman, Kel. Panjer,
Denpasar Selatan

MALANG

HSBC - MALANG

Jl. Pasar Besar 99, Malang 65118

SEMARANG

HSBC - SEMARANG

Wisma HSBC 1F, Jalan Gajah Mada 135,
Semarang, 50134

SURAKARTA

HSBC - SOLO

Jl. Slamet Riyadi No. 74 A, RT 002/RW 003,
Kel. Kauman, Kec. Pasar Kliwon, Surakarta , 57112

SURABAYA

HSBC - DARMO PARK

Darmo Park I Blok A1-2, Jl. Mayjen Sungkono
No 118-118A , Surabaya, 60256

HSBC - BUKIT DARMO

Ruko Office Park 2, Jl. Bukit Darmo Golf Blok B2-29,
Kel. Pradah Kalikendal, Kec. Pakis, 60162

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

HSBC - MANYAR

Jl. Manyar Kertoarjo 31A-G, Surabaya, 60285

HSBC - SURABAYA

Graha HSBC, Jl. Jendral Basuki Rachmat No. 58 - 60, Surabaya, 60271

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 - 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

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

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

BANDUNG**HSBC - BANDUNG****ASIA AFRIKA**

Jl. Basuki Rahmat, no. 24, Palembang, 30125

HSBC - BANDUNG**FLAMBOYAN**

Unit F1, 1st and 2nd floor, Jl.Sukajadi No. 232, Bandung,
Jawa Barat, 40153





2023 SUSTAINABILITY **REPORT**





SUSTAINABILITY OVERVIEW

PT Bank HSBC Indonesia's Sustainability Report has been prepared pursuant to regulatory provisions, or more specifically the Financial Services Authority Regulation (PJOK) No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies.

The Bank's strategic ambitions to implement sustainability measures are consistent with those of its parent company, HSBC Holdings Plc (HSBC Group). At the Bank, we've been very consistent in pursuing the HSBC Group's climate ambition of net zero within its

own operations and supply chain by 2030, as well as aligning its financed emissions to net zero target set to be achieved by 2050.

The Bank recognises that in order to meet the HSBC Group's climate goals, the Bank must be transparent about the opportunities, challenges, associated risks, and progress it makes. The Bank's reporting should evolve to keep up with market developments. In 2024, the Bank will continue to review and improve its disclosure strategy as needed.



Economic Aspects

Distribution of Benefits to the Indonesian Economy (Billion)

Income Tax Expense

2023 **Rp701**

2022 **Rp567**

2021 **Rp384**

Economic Performance (Billion)

Operating Income

2023 **Rp7,004**

2022 **Rp6,027**

2021 **Rp5,933**

Banking Product Performance (Billion)

Credits Granted

2023 **Rp54,456**

2022 **Rp56,361**

2021 **Rp54,516**

Net profit

2023 **Rp2,448**

2022 **Rp1,903**

2021 **Rp1,473**

Third party fund

2023 **Rp86,319**

2022 **Rp90,188**

2021 **Rp85,407**



Environmental Aspects

The Bank implements environmentally friendly banking operational activities to improve resource and material efficiency.

Reduction in Paper Usage ♥ 13%

In comparison to 2022, the Bank successfully reduced paper usage by 13%, or 36 tonnes. This achievement is supported by the Bank's ongoing development of automation in the implementation of operational activities.

Locations of Solar Panels Utilization 18

In line with HSBC Group's aim of achieving net zero, the Bank has installed solar panels in 18 office locations across several major cities in Indonesia.

Reduction in Greenhouse Gas (GHG) Emissions Scope 3 Business Travel

♥ 13%

In 2023, the Bank experienced an increase of 2,699 Megawatt hours in energy consumption (MWh) as operations were returning to full operations like the pre-pandemic years, compared to the baseline (2019). In response, we've taken energy efficiency measures through the use of solar panels, LED lights, light sensors, ecofriendly air conditioning while gradually adopting the Future of Work – Hybrid Model and the use of SharePoint. The hybrid work model we've adopted organization-wide has reduced the need for official travel both to meet colleagues and customers. In the same year, the Bank's travel emission declined by 13% than the pre-pandemic of 2019.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



Social Aspects

The Bank seeks to contribute to employees and the community through various programmes and activities.

Gender Equality



56%

By 2025, HSBC Group aims to have 35% of women in senior leadership roles (defined as band 3 and above in the HSBC Group's global career band structure). In 2023, the Bank had 56% of senior leadership positions represented by female employees.

Employee Competency Development Participants



3,240

Employee competency development is an important aspect of the Bank's HR management. In 2023, the Bank had 3,240 of its employees enrolled in trainings where we spent a total training time of 77,823 hours for the entire participating employees, or an average of 24 hours per employee.

Number of Training Hours

77,823

Average Training Hours spent Per Employee

24

Realization of Community Social Budget

Rp8.92 (Billion)



Sustainability Achievements

Electric Vehicles Utilization for Operational Activities

The Bank continues to focus on reducing the environmental impact of vehicles and accelerating the use of electric vehicles. Where possible, banks are targeting electric or hybrid vehicle models as new vehicles. In 2023, out of a total of ten executive and board of director operational vehicles, the Bank operates one electric vehicle and three hybrid vehicles.

ABF Retail Banking Awards 2023

The Bank received the Asian Banking & Finance (ABF) Retail Banking Awards 2023 in the ESG Programme of The Year - Silver category for its green initiative of installing solar panels in some of its branches.

SUSTAINABILITY STRATEGY

ESG APPROACHES

Transition to Net Zero

HSBC Group makes every effort to achieve net zero financed emissions by 2050, but has pledged to achieve that very same target within its own operations and supply chains much earlier, or by 2030. HSBC Group also seeks to assist its customers in transitioning to a net zero and sustainable future by offering and facilitating sustainable finance and investment products. PT Bank HSBC Indonesia has even made further effort to contribute to the implementation of these global plans in Indonesia.

The HSBC Group's sustainability risk policies help to define its appetite for financing and advisory activities in specific sectors. The policies are critical mechanisms for achieving HSBC Group's net zero ambitions and managing sustainability risks. HSBC Group's energy policy aims to achieve three objectives: reducing global greenhouse gas emissions, facilitating a smooth transition that builds resilience over time, and promoting a just and affordable transition.

As stated in the thermal coal phase-out policy, HSBC Group intends to end financing of thermal coal-fired power and thermal coal mining in the European Union and Organisation for Economic Cooperation and Development (OECD) markets by 2030, and globally by 2040. The policy aims to support thermal coal phase-outs that are aligned with science-based timeframes, while acknowledging the varying pace of advanced and emerging economies. The policy was first published in December 2021 and is reviewed annually, with the most recent update in January 2024, to ensure that it remains in line with the HSBC Group's strategy and takes into account relevant changes in external factors.

To implement this policy, the Bank has engaged stakeholders from the Indonesian government and the private sector.

Building Inclusion and Resilience

In addition to achieving net zero, HSBC Group has developed a social strategy aimed at driving inclusion and building resilience for its partners, customers, employees, and the communities it serves. HSBC Group strives to make it as easy as possible for customers to obtain the funding they require. Furthermore, HSBC Group supports employee performance by providing financial benefits, training, and career development opportunities. Furthermore, HSBC Group ensures fair recruitment and inclusion.

Acting Responsibly

The HSBC Group's approach to corporate governance focuses on being responsible and paying attention to issues such as human rights, code of conduct, and data integrity. HSBC Group has policies and procedures in place to ensure that we provide the best possible service to our customers. Furthermore, HSBC Group considers customer experience and satisfaction when determining how it operates.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

SUSTAINABLE FINANCE ACTION PLAN (RAKB)

In addition to the sustainability approach and climate strategy, the Bank created a Sustainable Finance Action Plan (RAKB) that is consistent with the Sustainable Development Goals. RAKB's primary goal is to provide financing to support the transition to a low-carbon economy while also assisting clients in managing the risks associated with that transition.

The Bank recognises that it has a critical role to play in facilitating the transition to a net zero economy. The Bank supports the HSBC Group's sustainable finance and investment ambition, which seeks to promote green, sustainable, and socially responsible business and investment products and solutions.

Based on the RAKB, the Bank developed a work plan for sustainable finance activities that connect finance to the specific needs of the Indonesian and global economies, as well as the benefit of the world and society.

Implementation of RAKB 2023

The Bank has set five priority activities for implementing RAKB in 2023. The Bank has also collaborated with stakeholders to develop an ecosystem that supports reaching net zero and increasing funding for climate action and nature-based solutions.

1. Developing Employee Knowledge on Sustainable Finance

The Bank develops employee knowledge through training, seminars as well as relevant professional qualifications related to sustainability and sustainable finance to answer clients' needs regarding climate change, its risks and opportunities. The Bank held regular meetings between sustainable finance champions, relationship managers, and team leaders to discuss sustainable finance developments, attended various webinars and training sessions on sustainable finance.

2. Positioning the Bank as a Thought Leader in Sustainable Finance

The Bank intends to establish itself as a thought leader in sustainable finance through proactive engagement with stakeholders, such as participation in sustainable finance conferences and activities both internally and externally, thereby increasing stakeholders' knowledge and understanding of sustainable finance.

In 2023, the Bank took an active role in sustainable financial activities centred on nature restoration, energy transition, environmentally friendly technology innovation, and sustainable supply chains. The Bank has held discussions with a variety of stakeholder groups, including the government, as well as collaborated with non-governmental organisations (NGOs), industries, and academia.

- **Working with the Government**

The Bank collaborates closely with the government to help implement policies and regulations, including encouraging best practices for developing approaches to environmental and climate-related financial regulations. The Bank participates in various discussions with OJK, GFANZ, the Ministry of Finance, the Ministry of Energy and Mineral Resources, the Indonesia Infrastructure Guaranteed Fund (IIGF), ASEAN Bloomberg New Energy Finance (BNEF), the ASEAN Indo-Pacific Forum (AIPF), and the Indonesia Sustainability Forum (ISF), as well as the Just Energy Transition Partnership (JETP).

- **Working with NGOs**

The Bank has worked with a number of community organisations, including WWF Indonesia, WRI Indonesia, the Nusantara Nature Conservation Foundation (YKAN), and Ecoxyztem.

- **Working with Industry**

The Bank actively participates in cross-industry collaborations and initiatives aimed at increasing industry participation in the transition to net zero. The Bank has increased understanding and knowledge of sustainable finance by organising the HSBC Summit, which included discussions on ESG, FGDs, and cross-learning forums for companies from various sectors.

- **Working with Academics**

The Bank works with academics from various backgrounds to find solutions and innovations to help with the net zero transition, including a collaboration with the Bandung Institute of Technology (ITB) through the CFPP Repowering Partner Programme.

Highlight:

Invited as a Speaker at the ASEAN-Indo-Pacific Forum (AIPF)

In 2023, PT Bank HSBC Indonesia received an invitation to participate as one of the speakers at the ASEAN-Indo-Pacific Forum (AIPF), alongside five other speakers. The event focused on the role of sustainable and innovative financial mechanisms in facilitating businesses to obtain the required capital, while also promoting positive environmental and social impacts for the ASEAN region.

3. Engaging Customers in Low Carbon Economic Transitions

The Bank intends to engage customers in order to help them understand the risks that may affect their businesses and to assist them in making the transition to a low-carbon economy. The Bank has identified customers who must immediately adapt to the low-carbon economic transition and is assisting them in overcoming climate-related challenges and discovering potential business opportunities.

4. Supporting the Transition to a Low Carbon Economy Through Operational Activities

The Bank supports the transition to a low-carbon economy through its own operations and by assisting customers with their transition strategies. The Bank established environmental performance targets for energy consumption, waste and paper management, and monitored progress towards reducing carbon emissions from its operational activities.

5. Developing standard operational procedures on the integration of social, environmental and governance risks

The Bank has developed standard operational procedures regarding the integration of social, environmental, and governance risks into business activities in providing credit/financing priority sectors. The implementation of this standard is carried out to provide financial services for clients whose activities have the potential to have negative impacts on the environment and society. The Bank has implemented policies/rules and guidelines for providing financial services to clients in sectors such as agricultural commodities, chemicals, energy, forestry, mining and metals, World Heritage Sites, wetlands designated by the Ramsar Convention, defence equipment, and Equator Principles.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements



HSBC



WORLD
TRADE
CENTRE 1

COMPANY
PROFILE

COMPANY PROFILE

HSBC Group, a globally operating bank and a pioneer of modern banking in Asian countries, has a long history in Indonesia. The first office in Indonesia was opened in Jakarta in 1884. Its purpose was to facilitate the sugar trade, which was important at the time. In 1896, HSBC's operations were expanded to Surabaya.

During World War II, HSBC closed its operations in Indonesia. In 1968, HSBC was granted a new banking licence and has since continued to grow as one of the leading foreign banks operating in Indonesia. In May 2009, HSBC officially acquired PT Bank Ekonomi Raharja Tbk with the aim of enhancing HSBC's commercial banking business in Indonesia, expanding its retail banking business, and doubling 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, HSBC Group integrated its foreign bank branch (The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch) into PT Bank HSBC Indonesia in support of the Government of Indonesia's banking consolidation agenda. The Bank is the first international banking financial institution to obtain a licence to integrate a foreign branch. As of fiscal year 2023, the Bank has served its customers through 34 offices in 18 cities in Indonesia. With the support of 2,700 employees, the Bank reaches out to customers with a variety of banking services, including Wealth and Personal Banking, Wholesale Banking, and Markets and Securities Services.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

VISION

The Bank's Vision in Implementation of Sustainable Finance:

Become a preferred sustainable finance partner in supporting Indonesia's transition to a net zero economy.

MISSION

The Bank's Mission In Implementation of Sustainable Finance:

Opening up a world of opportunity by leveraging our expertise and capabilities in financing, facilitation and investment that nurture sustainable growth for our customers, employees, investors and community in Indonesia.

HSBC **VALUE**

Our values define who we are as an organisation and what makes us distinctive

- **We value difference** Seeking out different perspectives
- **We succeed together** Collaborating across boundaries
- **We take responsibility** Holding ourselves accountable and taking the long view
- **We get it done** Moving at pace and making things happen

BUSINESS **SCALE**

Description	Unit	2023	2022	2021
Asset	Rp billion	125,378	125,982	124,462
Liabilities	Rp billion	106,392	108,231	104,321
Equity	Rp billion	18,986	17,751	20,141
Total Employees	People	2,690	2,855	3,154

ASSOCIATION **MEMBERSHIP**

The Bank joins various organisations or associations in accordance with the Bank's line of business. The following are the membership details until the end of 2023:

- Indonesian Custodian Bank Association (ABKI)
- Indonesia Foreign Exchange Market Committee (IFEMC)
- ACI Financial Market Association of Indonesia
- Indonesia Central Securities Depository (KSEI)
- Indonesia Money Markets and Foreign Exchange Association (APUVINDO)
- Indonesia Credit Card Indonesia (AKKI)
- Association of Indonesian Mutual Fund Securities Selling Agent Banks (ABAPERDI)
- Indonesian Life Insurance Association (AAJI)
- Indonesia Corporate Secretary Association (ICSA)
- Indonesian Entrepreneur Association (APINDO)

BOARD OF **DIRECTORS REPORT**

The Board of Directors' explanation regarding the Bank's implementation of sustainable finance is presented in the Board of Directors' Report section of this Annual Report.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

**Sustainability
Report**

Financial
Statements



**SUSTAINABLE
GOVERNANCE**

The Bank perceives that the governance aspect of corporate sustainability is a crucial aspect. The Bank requires good management of sustainability aspects in accordance with applicable laws and regulations. In managing sustainability aspects, the Bank is guided by Financial Services Authority (FSA) Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, as well as related regulations.

RESPONSIBILITY ON **SUSTAINABLE FINANCE** **IMPLEMENTATION**

In general, the Board of Commissioners and Directors are responsible for the implementation of sustainable finance. They are involved in formulating and evaluating strategic policies aimed at implementing sustainable finance. At the management level, each Director will be responsible for sustainability aspects according to their field.

During the implementation, the Corporate Sustainability Function in collaboration with relevant businesses and functions are responsible for sustainable finance activities. Sustainable finance has also been included in the Bank's strategy in the Bank Business Plan (RBB) and Sustainable Finance Action Plan (RAKB).

The Bank has gone even further by engaging all of relevant employees and even work partners in its continued programs of sustainable finance. Resources involved in implementing sustainable finance are business unit and support units involved in sustainable finance implementation. Business organisations, non-profits, and the government are then involved as cooperation partners.

In the context of the monitoring and evaluation stage, the Bank has included scorecard indicators for the CEO and Director of Wholesale Banking. The Bank has also established the Climate Risk Oversight Forum (CROF), which is accountable to the Board of Directors for compliance with climate risk regulations.

A full explanation regarding the duties, authorities, and responsibilities of the Board of Directors and Board of Commissioners is provided in the Good Corporate Governance section of this Annual Report.

SUSTAINABLE FINANCE **COMPETENCY DEVELOPMENT**

To address a variety of sustainability challenges, including changes to rules, regulations, and standards, the Bank has conducted competency development for both management and employees. Page 72-75 of this Annual Report contains a detailed explanation of the sustainability competency development activities.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

**Sustainability
Report**

Financial
Statements

RISK ASSESSMENT OF **SUSTAINABLE FINANCE IMPLEMENTATION**

In implementing sustainable finance, the Bank has identified, measured, monitored, and controlled risks related to sustainable finance, especially regarding economic, social, and environmental aspects. In risk management implementation, the Bank refers to the Financial Services Authority (OJK) Regulation Number 18/POJK.03/2016 and OJK Circular Letter Number 34/SEOJK.03/2016 concerning the Implementation of Risk Management for Commercial Banks and taking into account recommendations from the Basel Committee on Banking Supervision. In accordance with these regulations, the Bank has implemented a risk management policy that aims to ensure that risks arising in business activities can be identified, measured, managed, and reported. Risk management is carried out by the Risk Management Work Unit.

In terms of sustainability risks, the Bank implements sustainability risk policies that supports net zero-aligned policies - thermal coal phase-out and energy - as well as adopting HSBC Group's broader sustainability risk policies covering agricultural commodities, chemicals, forestry, mining and metals, World Heritage Sites, and Ramsar-designated wetlands. The Bank also applies the Equator Principles when financing relevant projects.

These policies define the Bank's business appetite in these sectors and aim to encourage customers to adhere to good international practice standards. Where the Bank identifies activities that could have material negative consequences, the Bank expects customers to demonstrate that they are identifying and mitigating risks responsibly, and the Bank will take the necessary actions as outlined in HSBC Group policies, which may include imposing financing restrictions or conducting enhanced due diligence. These policies are consistent with the HSBC Group's approach to climate risk and net zero ambition.

RELATIONSHIP WITH **STAKEHOLDERS**

The Bank intends to collaborate and involve stakeholders in the implementation of sustainable finance. The activities are carried out to gather feedback from stakeholders so that the Bank can make improvements. Stakeholder involvement is carried out using a variety of approaches to gather input and identify potential improvements. The Bank believes that trust-based relationships and stakeholder involvement can generate positive values and provide long-term benefits to the Bank and its stakeholders.



Customers

Stakeholders

The Bank recognises that the greater the Bank's understanding of customers' needs, the better the Bank can help support them to achieve their financial aims and succeed in the Bank's purpose and strategy.

Approaches

The Bank's customers can provide feedback, complaints, or simply requests for information related to the Bank's products and services at any time. In addition, the Bank also compiles customer expectations that change in line with the development of social life to meet needs and create customer satisfaction.

The interaction between the Bank and customers is carried out through:

- Branch offices
- Internet Banking and Mobile Banking
- Call Center
- Website
- Social media
- Customer Experience Survey
- Gathering event with Customers

Through this approach, the Bank creates easier access for customers and communicate effectively, while maintaining the security and privacy of customer data.



Shareholders

Stakeholders

The Bank seek to understand shareholder needs and sentiments through ongoing dialogue and a variety of engagements as stipulated in the prevailing laws and regulations and Company's Articles of Association.

Approaches

The Bank submits regular reports to shareholders regarding financial and operational performance, implementation of the Bank's strategy, corporate actions and strategies, as well as the latest company information.

These reports are submitted by the Bank through:

- Annual General Meeting of Shareholders (AGMS) and Extraordinary General Meeting of Shareholders (EGMS).
- Annual report including Financial Statement, the Board of Directors report and Supervisory Duties of the Board of Commissioners Report
- Report of the Sustainable Finance Action Plan

Interactions between shareholders and the Bank are conducted in accordance with shareholder rights as stipulated in the prevailing laws and regulations, and Company's Articles of Association.



Government and Regulators

Stakeholders

Maintaining constructive dialogue and relations with relevant authorities in the markets in which the Bank operates helps support the effective functioning of economies globally and the achievement of the Bank's strategic objectives.

Approaches

Regulators and the Government related to the banking industry, especially Bank Indonesia and the Financial Services Authority in order to implement compliance with applicable laws and regulations. In the implementation of good corporate governance, the Bank always provides regular reports in accordance with applicable laws and regulations to regulators, including reports on the Annual Report, Sustainability Report, and compliance implementation.

Furthermore, the Bank also attends meetings organised by regulators at certain times, among others, to discuss the fulfilment of the Bank's compliance, the implementation of prudential principles, and the implementation of good corporate governance.

Communication with regulators is carried out effectively and efficiently, for example, by actively consulting both in outreach organised by the regulator and discussions initiated by the Bank.



Society

Stakeholders

The Bank seeks to play an important role in supporting the communities in which the Bank operates through corporate social responsibility and broader engagement activities

Approaches

The approach to the public, among others, is conducted in the form of information disclosure. The public can interact with the Bank regarding matters related to the principle of transparency.

Moreover, the Bank also maintains direct relationships with the community, among others, through corporate social responsibility and financial literacy programs. These activities are consistently carried out every year, in line with the Bank's commitment to fulfil the mandate of laws and regulations and the Bank's concern for the community.



Suppliers

Stakeholders

The Bank engage with suppliers, that helps in operate the Bank's business effectively and execute the Bank's strategy.

Approaches

HSBC values the opportunity to work in partnership with suppliers to address common sustainability challenges and ensure that the management of our supply chain leads to improved sustainability.



Employees

Stakeholders

The Bank wants to continue to be a positive place to work and build careers, with the success of the Bank's strategy dependent upon having motivated people with the expertise and skills required to deliver it.

Approaches

The Bank's relationship with employees is facilitated through dialogue between management and labour unions. Meanwhile, matters related to employee welfare, rights and obligations are carried out through several means of communication, or regular meetings, including:

- Training
- Socialization
- HR Info / Information via email
- Employee gathering events
- Townhall

CHALLENGES FACED

The banking industry continues to face numerous challenges in implementing sustainable finance practices. Internally, the Bank consistently adheres to applicable regulations and standards governing the implementation of sustainable finance principles. Management and employee competency development is also ongoing to ensure that they are capable of effectively and efficiently managing sustainable finance implementation.

From externally, the Bank recognises that stakeholders are still adapting to the implementation of sustainable finance principles. As a result, the Bank communicates its sustainability vision and mission, as well as their execution, to customers, business partners, and the community. The Bank also increases stakeholder participation in cooperation programmes, such as those with the government and regulators that are actively implementing financial literacy programmes.

The Bank is now one of the banking institutions participating in the Indonesian Sustainable Finance Initiative (IKBI). The Bank believes that the IKBI platform can use private finance to reduce environmental, social, and governance risks while also supporting a world transition to a low-carbon economy. The Bank believes that in order to effectively implement sustainability measures, the financial sector must be equipped with strong, scientifically-based materials. As a result, the Bank contributes to the studies, research, and experts that IKBI provides to the banking industry.

BUILDING A DYNAMIC, **INCLUSIVE CULTURE**

The Bank continuously develops knowledge and experience related to sustainability approaches and principles through various activities such as trainings, seminars, and other activities relevant to the implementation of sustainable finance.

The Bank also engages employees in sustainability campaigns, such as encouraging them to volunteer in climate change activities and collaborating with other stakeholders. Through these efforts, the Bank hopes that sustainability principles can be implemented and embedded into the Bank's organisational environment.

A diverse and inclusive workforce is essential for achieving growth strategies. Creating an inclusive

culture in which all employees believe they can achieve their full potential will allow the Bank to attract and retain the best talent. The Bank's goal is to have a well-balanced workforce that reflects gender, age, ability, and other characteristics. In 2023, the Bank launched a new Employee Resource Group (ERG) for Nurture to assist carers in balancing their work and their responsibilities at work, bringing the total to 3 active ERGs in Indonesia.

For other stakeholders, the Bank establishes communication channels to discuss various climate change issues. This policy is part of socialisation and engagement efforts to achieve a common goal, namely a low-carbon world and a better future by protecting the environment while also benefiting social life.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

**Sustainability
Report**

Financial
Statements



**ECONOMIC
PERFORMANCE**

ECONOMIC PERFORMANCE

As a financial services company, the Bank sees sustainable finance as the foundation for long-term business growth that benefits all stakeholders. The HSBC Group defines sustainable finance and investment as any type of financial service that incorporates ESG considerations into business or investment decisions.

Sustainable finance implementation includes funding, which includes financing, investing, and advisory activities that help to achieve the Sustainable Development Goals (SDGs). In addition, the Bank employs stringent risk management strategies in response to climate change conditions. The Bank applies these principles to a variety of industries, including energy, palm oil, and forestry.

In addition to climate change mitigation, sustainable funding supports carbon-reduction initiatives, social welfare and development projects, education and health service access, and efforts to reduce economic inequality. These are consistent with the Bank's vision of helping to create business activities that provide widespread benefits in a sustainable and inclusive manner.

In terms of implementing sustainable finance, the Bank works with customers to help them understand and manage their environmental and social impacts. HSBC Group also created a sustainability risk policy for the agricultural, chemical, defence, energy, forestry, mining, and metal commodity sectors, as well as contributions to UNESCO World Heritage Sites and Ramsar-designated wetlands.

Furthermore, the Bank applies the Equator Principles when financing relevant projects. To ensure that these policies are implemented effectively, the Bank has provided training programmes for risk managers and relationship managers.

In general, the Bank recorded positive economic performance, with net profit reaching Rp2,448 billion, a 28.64% increase over the previous year's figure of Rp1,903 billion. The increase in profit was primarily due to higher revenue and lower operating expenses which was partially offset by higher impairment losses.

A complete discussion of the Bank's performance throughout 2023 is presented in this Annual Report on pages 81-93.

ECONOMIC VALUE RECEIVED AND DISTRIBUTED

The Bank's economic performance in 2023 improved as a result of the creation and distribution of financial service products. This demonstrates the Bank's effort to implementing sustainable practices via a prudent investment strategy that benefits all stakeholders.

Business activity income is the economic value gained by the Bank through its business activities during the fiscal year. Sustainable finance goals prioritise distributing value to create sustainable value.

The economic value performance received and distributed by the Bank over the last three years is shown below.

Economic Value Distribution Table

(Rp Billion)

Description	2023	2022	2021
Economic Value Received			
Interest Income	7,040	4,993	4,772
Nett Fees and Commission Income	1,075	1,141	1,265
Trading Income	1,446	998	1,087
Other Operating Income	62	141	64
Total economic value received	9,623	7,273	7,188
Economic Value Distributed			
Interest Expenses	2,619	1,246	1,255
Employee Expenses	1,684	1,694	1,675
Operating Expenses*	1,729	1,830	1,653
Income tax expense	701	567	384
Total economic value distributed	6,733	5,337	4,967

* Including general and administrative expenses, depreciation expenses of properties and equipment and right-of-use assets, and amortization expenses of intangible assets.

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

LOAN DISBURSEMENT BASED ON TYPE OF LOANS

In terms of banking product performance, the Bank recorded gross loan disbursements of Rp54,456 billion in 2023, representing a smaller 3.38% over Rp56,361 billion in 2022. The disbursement of this financing is an important component of the Bank's economic value distributed to external parties in order to promote sustainable finance through economic activities.

Table of Loan Disbursements by Type

(Rp Billion)

Credit Type	2023	2022	2021
Working Capital	40.686	42.701	41.033
Investment	10.160	9.749	9.709
Consumption	3.042	3.287	3.122
Employee	568	624	652
Total	54.456	56.361	54.516

BANKING PRODUCT PERFORMANCE

In terms of third-party funds, in 2023, the Bank was able to collect customer funds in the amount of Rp86,319 billion, a decrease of 4.29% compared to 2022, which was Rp90,188 billion. This third-party fund is an indicator of the Bank's contribution to financial inclusion in Indonesian society.

Table of Banking Product Performance

(Rp Billion)

Description	2023	2022	2021
Total Customer Deposits	86.319	90.188	85.407
• Current Accounts	39.048	43.087	45.584
• Savings Accounts	13.885	15.539	15.946
• Time Deposits and On Call Deposits	33.386	31.562	23.877
Total Loan Disbursements	54.456	56.361	54.516

ECONOMIC VALUE RECEIVED BY THE BANK

The economic value received by the Bank was reflected in its net profit, which reached Rp2,448 billion in 2023, increasing 28.64% from Rp1,903 billion in 2022. The increase in profit was mainly attributed to higher revenue and lower operating expenses which was partially offset by higher impairment losses.

Table of Economic Value Received by the Bank

(Rp Billion)

Description	2023	2022	2021
Interest Income – net	4.421	3.747	3.517
Profit before Tax	3.149	2.470	1.857
Net profit for the year	2.448	1.903	1.473

SUSTAINABLE FINANCING SUMMARY

The Bank maintains its intention to finance projects that promote sustainable development and climate change mitigation. In 2023, the Bank engaged in sustainable finance-related transactions, as shown below:

Sustainable Finance Overview

(USD Million)

Description	2023	2022	2021
Balance sheet-related transactions provided	101	290	2
Capital markets/advisory (facilitated)	199	300	366
Total contribution	300	590	368

Note: This table has been prepared in accordance with the HSBC 2022 Sustainable Finance and Investment Data Dictionary, which covers environmentally friendly, social and sustainability activities. The amounts provided and facilitated includes: the limits agreed for balance sheet-related transactions provided (lending and guarantees provision) and the proportional share of facilitated capital market/consulting activities. Detailed information on sustainable finance and investment can be found in the HSBC Group ESG Data Pack at <https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre>

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

**Sustainability
Report**

Financial
Statements



ENVIRONMENTAL PERFORMANCE

ENVIRONMENTAL PERFORMANCE**01**

Even though its business activities does not have any direct impact on the environment, the Bank plays an important role in environmental issues. The Bank strives to synergise in dealing with environmental issues, especially in implementing sustainable finance to support low-carbon activities. This is a manifestation of the Bank's ambition to achieve net zero in its operations and supply chain by 2030, as well as aligning financed emissions to net zero by 2050.

Aside from promoting sustainable finance, the Bank also conducts environmentally friendly banking operations. For example, use environmentally friendly materials, install solar panels, provide electric cars as operational vehicles for senior management, and participate in environmental conservation programmes.

In 2023, the Bank was awarded Silver for the ESG Programme by the Asian Banking & Finance Retail Banking Awards 2023 based on its green initiative to install solar panels in some of its branches.

ENVIRONMENTAL CONSERVATION**02**

The Bank has implemented a number of environmental conservation programmes. Actions to support the mission of reducing carbon emissions include several sustainability projects, including solar panel installation at 18 branch locations, paper reduction, electric and hybrid cars as an executive car fleet, reuse of existing furniture and equipment, and an interactive webinar series to increase employee awareness.

ENVIRONMENTALLY FRIENDLY MATERIALS**03**

For a long time, the Bank has used environmentally friendly materials in its operations. The Bank uses paper products certified by the Forest Stewardship Council (FSC) and provides special bins for staff to sort cans, paper, and plastic waste.

As part of sustainability initiatives, aspects of using environmentally friendly materials include the use (reuse) of old furniture and equipment from the headquarters to be reused in branch offices.

ENERGY CONSUMPTION EFFICIENCY**04**

In 2023, the Bank emitted more emissions than the previous year from energy consumption in line with the increase in economic activities before COVID-19. The Energy consumption in 2023 increased by 5,530 Mega Watt hours (MWh) from 5,272 MWh in 2022 to 10,802 MWh in 2023. Nevertheless, the Bank has put a lot of efforts for energy consumption efficiency by reducing the working space and other energy efficiency activities. Energy efficiency activities are also carried out through the use of solar panels, LED lights, light sensors, and environmentally friendly air conditioning, which have reduced electricity consumption at the head office and branches.

Energy efficiency also continues to be implemented through The Future of Work – Hybrid Model and SharePoint usage. The hybrid work model implemented throughout the organisation has reduced the need for business travel to meet colleagues and customers. Thus, the Bank reduces the environmental impact of vehicles in its operations. The implementation of a hybrid work model, utilisation of SharePoint, and application of digital documents has helped the Bank reduce paper consumption by 13%, or 36 tonnes of paper.

Meanwhile, water consumption has increased due to the increased activity from employees returning to the office after the COVID-19 pandemic status was removed.

In 2023, the Bank's travel emissions reduced by 13% of pre-pandemic levels in 2019 as a baseline. The Bank closely manages the gradual resumption of travel through internal reporting and review of emissions, and through the introduction of internal carbon budgets, in line with the Bank's aim to halve travel emissions by 2030, compared with pre-pandemic levels. With hybrid working embedded across the organisation, the use of virtual working practices has reduced the need for colleagues to travel to meet with other colleagues and customers. The Bank continues to focus on reducing the environmental impact of the vehicles use in the Bank's operations and accelerating the use of electric vehicles.

Indicator	Metric	2023	2022	Change (%)
Total Greenhouse Gas (GHG) Emission	Tonne	8,948	4,347	106%
Scope 1	Tonne	190	133	43%
Scope 2	Tonne	8,079	3,951	104%
Scope 3 (category 6/business travel)	Tonne	679	263	158%
Energy Consumption	MWh	10,802	5,272	105%
Paper Consumption	Tonne	242	278	-13%
Waste Produced	Tonne	20	20	0%
Recycling	%	31	42	-26%
Water Consumption	m ³	21,331	16,068	33%
Travel	Km	4,350,828	1,914,426	127%

Intensity of Emission

Indicator	Metric	2023	2022	Change (%)
Total Greenhouse Gas (GHG) Emission	Tonne CO ₂ e	8,948	4,347	106%
Emission Intensity	Tonne CO ₂ e/employee	3.32	1.47	126%

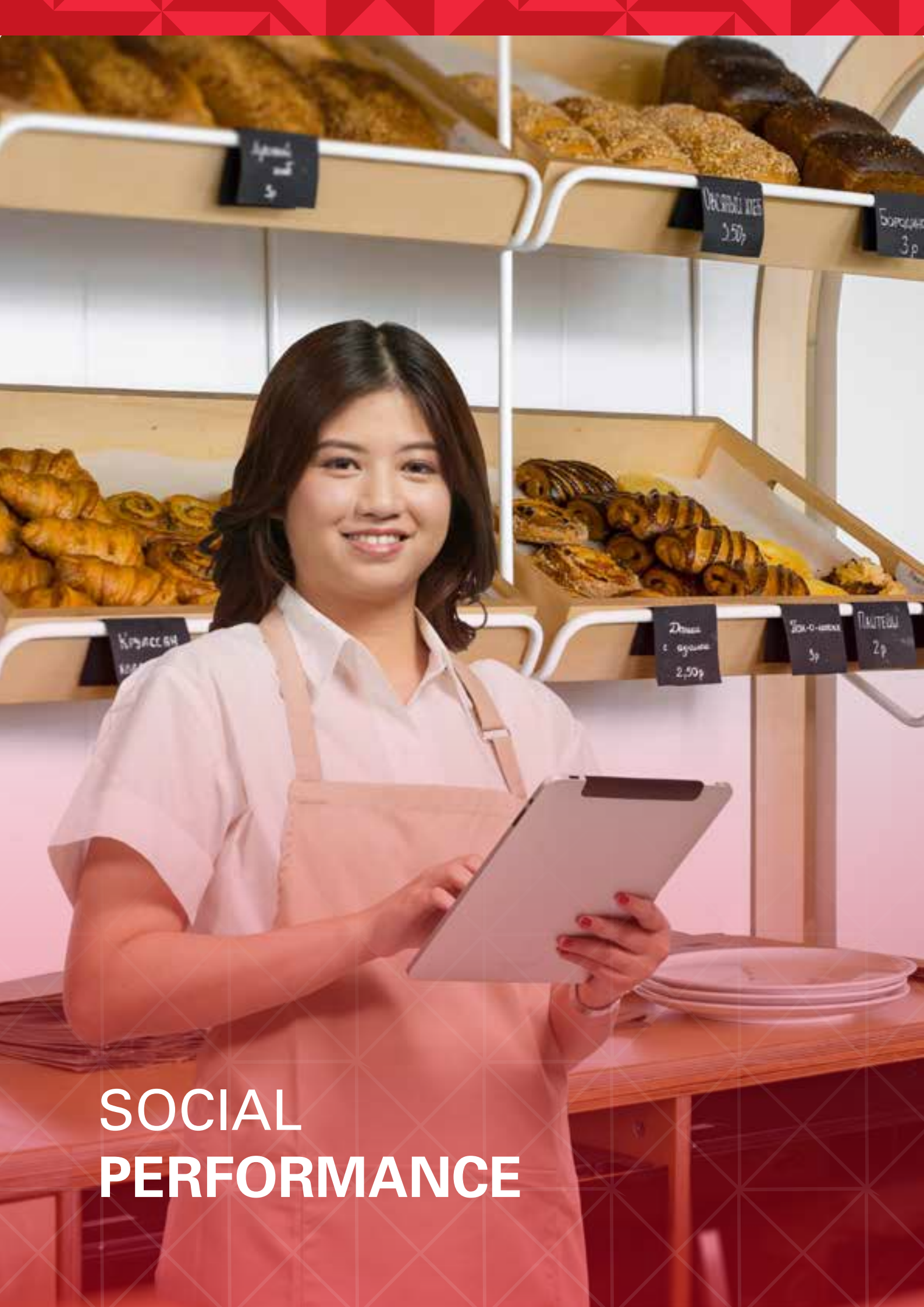
Notes:

The Bank calculates its emission intensity measured by GHG emissions in tonnes CO₂e per FTE (full-time employee).

ENVIRONMENTAL COMPLAINT

05

The Bank provides various channels for receiving complaints through the Contact Center, 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. In 2023, there were no complaints received related to environmental issues.



SOCIAL PERFORMANCE

The Bank aims to provide equal products and services, as well as fair results, to all customers. Information related to products and services has also been provided transparently. This internal policy is in line with Financial Services Authority (FSA) Regulation Number 1/POJK.07/2013 on Customer Protection and FSA Circular Letter Number 12/SEOJK.07/2014 on Submission of Information in the Context of Marketing Financial Products and/or Services.

In addition, the Bank, being a member of the HSBC Group that operates globally, has adopted a behavioural framework to ensure that every employee within the Bank treats customers equally without discriminating against background, as well as implementing transparency in operational activities.

EMPLOYMENT ASPECTS

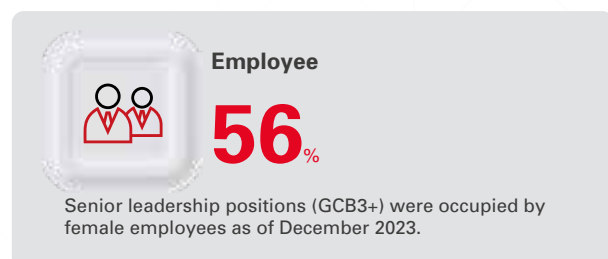
The Bank perceives employees as an important aspect of business sustainability and achieving the Bank's vision, mission, and targets. The Bank strives to provide welfare and a good experience to employees and develop them through enhancing knowledge and skills. The Bank also seeks to provide equality and equal opportunities to all employees without discriminating against their backgrounds, as well as offering opportunities to openly express their views on policies, the work environment, and new ideas.

EMPLOYMENT PRACTICE

Diversity, Equality, Equal Opportunities, and Inclusivity

Diversity and inclusion are important factors in shaping the Bank's identity. The Bank always accepts employee background differences such as gender, ethnicity, religion, race, inter-group, and other factors. All employees have an equal opportunity to work, be compensated, advance their careers, and develop themselves.

In 2023, 43.68% of total employees were male employees, and the remaining 56.32% were female employees. The Bank also promotes and strengthens gender equality through the Accelerating Female Leaders initiative.



In 2023, the Bank continued to establish diversity and inclusion programmes to obtain broader ideas, styles, and perspectives from employees with diverse

backgrounds. The Bank then implemented several diversity initiatives, such as Diversity and Inclusion Day, and Employee Resource Groups, such as Generations and Balance.

Child Labor and Forced Labor

Referring to Indonesian Labour Law Number 13 year 2003 concerning Manpower and other relevant laws and regulations, the Bank has the principle of not employing underage workers and ensuring that there are no forced labour practices in its operational environment. The Bank implements this by applying working hours in accordance with statutory regulations.

Remuneration

The Bank provides remuneration in order to motivate employees to enhance themselves without differences in gender, ethnicity, race, religion, physical condition, or other factors that are not related to performance or experience. Furthermore, the Bank has offered various facilities, such as health facilities, in accordance with regulatory provisions so that employees can work well.

The Bank has just recently updated its remuneration strategy and employee proportions with a much broader need-based talents from the competitive labor market, retain them, and keep them in all motivated. In 2023, the Bank conducted an in-depth review of the performance process and remuneration structure to simplify, increase transparency, and create an environment that focuses on growth and learning and can motivate employees to succeed.

The Bank has applied regional minimum wage standards in offering employee remuneration. Moreover, the Bank ensures that each employee receives income above the minimum wage in accordance with government regulations. The Bank also periodically conducts evaluations to fulfil the principle of equality in the provision of remuneration.

Percentage of Basic Salary for Permanent Workers in Jakarta at the Lowest Level Against the Province Minimum Wage

2023	2022	2021
108%	106%	109%

Safe and Healthy Working Environment

The Bank strives to create a decent, safe, and comfortable work environment, as well as facilitate all employees to improve their potential to the maximum. For this reason, the Bank aims to maintain a personal and work-life balance. The Bank believes that an inclusive, healthy, and rewarding workplace helps the Bank succeed.

The Bank also provides a completely open space work environment, including collaboration spaces to accommodate teamwork and employee involvement, as well as technology support to create work effectiveness.

LEARNING AND SKILLS DEVELOPMENT

The Bank, through the HR department, improves training and development programmes to enhance employees' competencies through either internal training or external training. To support the achievement of the Bank's business strategy, the People Capability team organises programmes covering areas of hard skills/technical competencies, soft skills competencies, leadership education, and specific in-house training. In 2023, the Bank has implemented a development programme with a total of 77,823 hours of training.

A full discussion of human resources is presented on page 69-71 in this Annual Report.

Realisation of Training Hours in 2023

Year	Total Employees	Total Training Hours	Training Hours Per Employee	Total Trained Employees
2023	2,870	77,823	24	3,240
2022	2,855	113,409	32	3,570
2021	3,348	60,412	15	4,034

SOCIAL ASPECTS

IMPACT OF OPERATION ON THE SURROUNDING COMMUNITY

The Bank recognises the impacts of its operations have on the local communities as an entity that runs a business in the financial and banking sectors. That notion underlies why we are striving to make greater contribution to a variety of programmes and activities that benefit the community, both short-term and long-term.

The Bank allocates funds for programmes that align with Corporate Social Responsibility (CSR) themes and activities in order to promote responsible and sustainable business practices. Furthermore, the Bank aims to provide philanthropic assistance, such as social assistance or other forms of assistance.

In 2023, the Bank had realised a community social budget of Rp8.92 billion.



Realisation of Community Budget

2023	Rp	8.9	billion
2022	Rp	12.1	billion
2021	Rp	10.8	billion

Realisation of Community Budget (Rp Million)

Description	2023	2022	2021
Realisation	8,922	12,055	10,813

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Bank continues to adapt and serve the needs of the Indonesian economy, and it understands the importance of widespread community involvement in the communities where it operates. In accordance with the Financial Services Authority's (OJK) guidance in the National Strategy on Indonesian Financial Literacy Blueprint, the Bank has implemented community programmes to increase public knowledge and education in business and finance.

In 2023, the Bank carried out community-wide social and environmental responsibility activities, focusing on education and environmental activities. These programmes are consistent with the Sustainable Development Goals (SDGs). The Bank planned to assist the communities in which it operates, as well as society in general.



SDG 1, 4, 8. Building Community and Future Skills

The Bank strives to improve the competence of society and communities through a variety of education and training programmes. The Bank has worked with various segments of society, including students, college students, and MSME entrepreneurs, to benefit from education and training programmes. In 2023, the Bank implemented various programmes and activities, including:

- Increasing Business Competence**
 The Bank runs the HSBC Business Case Education Series, an educational programme that allows students to apply and develop quantitative, qualitative, and communication skills. College students compete in four-person teams for business strategy and presentation. This programme includes various activities such as case analysis workshops, mentoring, and lectures on ESG.
- Increased Financial Literacy Knowledge**
 The Bank established the Building a Financially Capable Generation (BaFCG) programme, which will be implemented in Indonesia and funded by the HSBC Group. This programme provides students aged 12 to 16 with financial literacy information to help them improve their financial skills, knowledge, and experience.
- Improving Research and Technology Competency**
 Through the Clean Tech Innovative Solutions programme, the Bank encourages Indonesia's young generation to be more innovative, develop and present new technologies, and create commercially viable solutions. This programme successfully improved research skills and provided intensive coaching for business model design in technology.



SDG 7, 13. Engaging the Community in Maintaining Environmental Conservation

Indonesia has committed to combatting climate change, one of which is transitioning to new, renewable energy; thus, clean and sustainable energy sources play an important role in mitigating environmental impacts. The Bank actively participates in climate change mitigation through a variety of community-based programmes and activities. Several environmental programmes have been implemented:

- Mangrove Protection and Restoration**
 The Natural Climate Solution Model for Mangroves in Indonesia is a 3-year programme that aims to develop, promote, and implement a Natural Climate Solution Model through mangrove protection and restoration to mitigate greenhouse emissions, improve coastal resilience, and improve the livelihoods of communities that depend on the mangrove ecosystem. In 2023, the programme continued with the construction of a mangrove seedling nursery area, training for community small businesses as an alternative source of income, and strengthening the organisation.
- Contribute to the Development of Energy Transition Business Model Scheme**
 The Climate Solution Partnership Energy Transition programme, which is a 5-year programme with the World Resource Institute (WRI) and the World Wildlife Fund (WWF), contributes to the development of regulations and innovative business model schemes and increases industry interest in investing in renewable energy.

- **Addressing Deforestation from the Palm Oil Supply Chain**

The Bank strives to address deforestation in the palm oil supply chain and continue to increase production and consumption of RSPO through the Climate Solution Partnership Asia Sustainable Palm Oil Programme, which is a 4-year programme collaborated with WWF. Funded by HSBC Group, this programme covers three aspects, namely sustainable production, sustainable trade, as well as sustainable demand and consumption. The project covers ecosystems, including efforts to increase transparency in the supply chain, publishing scientific journal publications related to palm oil, communicating with the government and companies in Indonesia on using sustainable sourcing, increasing public campaigns to increase public awareness, and carrying out regional mapping.



> **1,100**

students and college students involved in community and future skills development programs.



> **2,000**

trees have been planted on 5 hectares of land

Key Highlights
2023

Management
Report

Company
Profile

Management
Discussion
and Analysis

Good
Corporate
Governance

Corporate
Data

Sustainability
Report

Financial
Statements

HOW WE LISTEN

The Bank has established standard operating procedures for handling complaints to ensure that customers receive prompt, efficient, accurate, and courteous service. This complaint handling should also protect the Bank from potential losses caused by customer complaints by ensuring that complaints are managed carefully and effectively. Furthermore, the Bank has established multiple channels for receiving complaints, including the contact centre, branch offices, HSBC Internet Banking, online, and social media. Every complaint received will be addressed in accordance with the regulations.

For detailed information, please refer to the website with the following link: <https://www.hsbc.co.id/1/2/en/personal/hsbc-advance>.

Number of Complaints

All public complaints are handled by each unit in the Bank. Complete reports related to public complaints and follow-up actions are presented in the "Good Corporate Governance" section on page 188-189..

RESPONSIBILITY FOR **SUSTAINABLE PRODUCT**

The Bank recognises its important role to play in supporting the transition to a net-zero global economy. The Bank is well placed to help transition industry and catalyse the new economy to reach net zero.

Through sustainable finance and investment products and solutions, HSBC Group aims to help promote green, sustainable, and socially focused business.

The Bank also seeks to consider the benefits of its products, both economically in the narrow sense (benefiting customers) and in a broader sense (benefiting the country). This includes sustainability considerations that are in line with the sustainable development goals through which the global community can create a better future.

INNOVATION AND DEVELOPMENT OF SUSTAINABLE FINANCE PRODUCTS/SERVICES

HSBC Group aims to help its customers transition to net zero and a sustainable future by providing and facilitating between USD750billion and USD1trillion of sustainable finance and investment by 2030.

The wide range of sustainable finance and investment products can be found in HSBC Group Sustainable Finance and Investment Data Dictionary 2023.

<https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre>

SUSTAINABILITY PRODUCT BENEFITS AND RISKS

Embedding sustainability can help improve customers' business performance by creating cost reduction & efficiency gains, increasing reputation among buyers and suppliers, enabling growth in new markets, and enabling risk mitigation and resilience. The Bank's sustainable finance products can support clients in their sustainable journey. However, if not done properly, such proposition can expose the bank's and the client's to greenwashing risk.

PRODUCT AND SERVICE INFORMATION

The Bank is continually evaluating product safety for customers, starting from the time the product is launched until it is running, in accordance with relevant regulations, ethical standards, and best practices in the industry. Information related to products and services can be accessed on the Bank's website, social media pages, and contact centre.

In the 2023 fiscal year, none of the Bank's financial products were withdrawn. Nevertheless, the Bank always conducts product evaluations in terms of risk management and compliance with all existing regulations. This ensures that products issued by the Bank provide a sense of security for customers. Accordingly, the Bank is not able to present information related to the number of products withdrawn.

CUSTOMER EXPERIENCE SURVEY

To improve the customer experience, the Bank conducts customer surveys to determine whether its services have lived up to their expectations. This is also done to evaluate the quality of the Bank's customer service and ways in which it can be improved.

The customer survey is conducted by phone using the interaction Net Promoter Score (iNPS) method. Customers who have just visited a branch, contacted the Call Centre, logged in to Internet Banking, or have Premier or RBB RM will be randomly selected from the database and then given questionnaires, where they rate how much they would recommend HSBC to family and friends based on their recent interactions with HSBC on a scale of 0-10.

Customers with a score of 0-6 are classified as detractors, customers with a score of 7-8 are classified as passive, and customers with a score of 9-10 are classified as promoters. The iNPS score is obtained by subtracting the percentage of detractors from the percentage of promoters, so the scale can run from -100 (if all respondents are detractors) to +100 (if all respondents are promoters).

The following are the survey results of the Customer Experience Survey for the last 3 (three) years.

Channel Interaction	Net Promoter Score (skala dari -100 sampai +100) (scale form -100 to +100)		
	2023	2022	2021
Branch	+60.1	+50,5	+44,1
Call Center	+36.5	+27,6	+17,9
Premier RM	+45.4	+38,0	+32,8
RBB RM	+57.6	+51,0	+44,6
Internet Banking	+18.2	+17,3	+11,2

Written Verification

Until 2023, the Bank has not conducted any written verification from an independent party regarding the implementation of sustainable finance. As such, this information cannot be submitted.

Feedback Sheet

The Sustainable Finance Report of PT Bank HSBC Indonesia provides an overview of performance throughout the 2023 financial year. The Bank looks forward to your input, criticism, and suggestions for the development of future performance by sending this feedback sheet via e-mail, facsimile, or post.

Respondent Profile

Name (if desired) :
Institution/Company :
E-mail :
Phone/Phone :

Stakeholder Groups

- A. Shareholders and/or Investors
- B. Customers
- C. Labor Union
- D. Media
- E. Suppliers
- F. Business Organization
- G. Community Organization
- H. Government/Regulators (OJK/BI)

Choose the most appropriate answer below:

No	Question	Answer
1	This report is easy to understand	Yes/No
2	This report is useful to you	Yes/No
3	This report already describes the performance of the Sustainable Financial Report	Yes/No

Please rate the most important aspects of PT Bank HSBC Indonesia's sustainability with a score of 1-5, with 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	Products	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 there are other aspects, please let us know:

Thank you for your participation
Please send to the address:
PT Bank HSBC Indonesia
World Trade Center 3, 9th Floor
Jl. Jenderal Sudirman Kav. 29-31
Jakarta 12920
Indonesia

ADDITIONAL CAUTIONARY STATEMENT REGARDING ESG DATA, METRICS AND FORWARD-LOOKING STATEMENTS

The Annual Report 2023 contains a number of forward-looking statements (as defined above) with respect to the HSBC group's (including the Bank's) ESG targets, commitments, ambitions, climate-related pathways, processes and plans, and the methodologies and scenarios the HSBC group (including the Bank) uses, or intends to use, to assess the HSBC group's (including the Bank's) progress in relation to these ('ESG-related forward-looking statements').

In preparing the ESG-related information contained in the Annual Report 2023, the Bank has relied on a number of key judgements, estimations and assumptions of HSBC Group and the processes and issues involved are complex. The HSBC Group has used ESG (including climate) data, models and methodologies that it considers, as of the date on which they were used, to be appropriate and suitable to understand and assess climate change risk and its impact, to analyse financed emissions - and operational and supply chain emissions, to set ESG-related targets and to evaluate the classification of sustainable finance and investments. However, these data, models and methodologies are often new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, or benchmarks. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and The HSBC group (including the Bank) expects industry guidance, market practice, and regulations in this field to continue to change. The HSBC group (including the Bank) also face challenges in relation to its ability to access data on a timely basis, lack of consistency and comparability between data that is available and its ability to collect and process relevant data. Consequently, the ESG-related forward-looking statements and ESG metrics disclosed in the Annual Report 2023 carry an additional degree of inherent risk and uncertainty.

Due to the unpredictable evolution of climate change and its future impact and the uncertainty of future policy and market response to ESG-related issues and the effectiveness of any such response, The HSBC group (including the Bank) may have to re-evaluate its progress towards its ESG ambitions, commitments and targets in the future, update the methodologies it uses or alter its approach to ESG (including climate) analysis and may be required to amend, update and recalculate its ESG disclosures and assessments in the future, as market practice and data quality and availability develop.

No assurance can be given by or on behalf of the Bank or HSBC group as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to the The HSBC group (including the Bank), could cause actual achievements, results, performance or other future events or conditions of the group to differ, in some cases materially, from those stated, implied and/or reflected in any ESG-related forward-looking statement or metric due to a variety of risks, uncertainties and other factors (including without limitation those referred to below):

- Climate change projection risk: this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
- ESG projection risk: ESG metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, and the models that analyse them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy and technology-driven outcomes;
- Changes in the ESG regulatory landscape: this involves changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardized regulatory approach to ESG across all sectors and markets;
- Variation in reporting standards: ESG reporting standards are still developing and are not standardized or comparable across all sectors and markets, new reporting standards in relation to different ESG metrics are still emerging;
- Data availability, accuracy, verifiability and data gaps: the HSBC group's (including the Bank's) disclosures are limited by the availability of high-quality data in some areas and the HSBC group's (including the Bank's) own ability to timely collect and process such data as required. Where data is not available for all sectors or consistently year on year, there may be an impact to the HSBC group's (including the Bank's) data quality scores. While the HSBC group (including the Bank) expects its data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within sectors year on year, and/or differences between the data quality scores between

sectors. Any such changes in the availability and quality of data over time, or the HSBC group's (including the Bank's) ability to collect and process such data, could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on year;

- Developing methodologies and scenarios: the methodologies and scenarios the HSBC group's (including the Bank's) uses to assess financed emissions and set ESG-related targets may develop over time in line with market practice, regulation and/or developments in science, where applicable. Such developments could result in revisions to reported data, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year-on year; and
- Risk management capabilities: global actions, including the HSBC group's (including the Bank's) own actions, may not be effective in transitioning to net zero and in managing relevant ESG risks, including in particular climate, nature-related and human rights risks, each of which can impact the HSBC group's (including the Bank's) both directly and indirectly through its customers, and which may result in potential financial and non-financial impacts to the HSBC group's (including the Bank's). In particular:
- The HSBC group's (including the Bank's) may not be able to achieve its ESG targets, commitments and ambitions (including with respect to the positions set forth in HSBC Group's thermal coal phase-out policy and its energy policy, and its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors), which may result in the Bank's (including HSBC group's) failure to achieve some or all of the expected benefits of its strategic priorities; and
- the Bank (including HSBC group) may not be able to develop sustainable finance and ESG-related products consistent with the evolving expectations of its regulators, and its capacity to measure the environmental and social impacts from its financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect its ability to achieve its ESG targets, commitments and ambitions, including its net zero ambition, its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors and the positions set forth in its thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

Any forward-looking statements made by or on behalf of the Bank (including HSBC group) speak only as of the date they are made. The Bank (including HSBC group) expressly disclaims any obligation to revise or update these ESG forward-looking statements, other than as expressly required by applicable law.

Written and/or oral ESG-related forward-looking statements may also be made in the Bank's (including HSBC group's) periodic reports to its regulators, public offering or disclosure documents, press releases and other written materials, and in oral statements made by the Bank's (including HSBC group's) Directors, officers or employees to third parties, including financial analysts.

HSBC Group's data dictionaries and methodologies for preparing the above ESG-related metrics and third-party limited assurance reports can be found on: www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

PT BANK HSBC INDONESIA

**LAPORAN KEUANGAN /
*FINANCIAL STATEMENTS***

31 DESEMBER/*DECEMBER* 2023



**SURAT PERNYATAAN DIREKSI
TENTANG
TANGGUNG JAWAB ATAS LAPORAN KEUANGAN PADA TANGGAL 31 DESEMBER 2023
DAN TAHUN YANG BERAKHIR 31 DESEMBER 2023
PT BANK HSBC INDONESIA
DIRECTORS' STATEMENT LETTER
REGARDING
THE RESPONSIBILITY ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023
AND FOR THE YEAR ENDED 31 DECEMBER 2023
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 3 Lt. 9 Jl. Jend. Sudirman Kav. 29-31, Jakarta 12920 |
| Nomor Telepon/Phone Number | : (021) 25545800 |
| Jabatan/Position | : Presiden Direktur / President Director |
| 2. Nama/Name | : Dio Alexander Samsuori |
| Alamat kantor/Office address | : Gedung World Trade Center 3 Lt. 9 Jl. Jend. Sudirman Kav. 29-31, Jakarta 12920 |
| Nomor Telepon/Phone Number | : (021) 25545800 |
| Jabatan/Position | : Direktur/Director |

menyatakan bahwa:

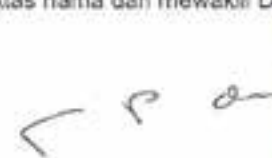
declare that:

- | | |
|--|---|
| 1. Kami bertanggung jawab atas penyusunan dan penyajian laporan keuangan PT Bank HSBC Indonesia ("Bank"); | 1. <i>We are responsible for the preparation and presentation of the financial statements of PT Bank HSBC Indonesia (the "Bank");</i> |
| 2. Laporan keuangan Bank telah disusun dan disajikan sesuai dengan Standar Akuntansi Keuangan di Indonesia; | 2. <i>The Bank's financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards;</i> |
| 3. a. Semua informasi dalam laporan keuangan Bank telah dimuat secara lengkap dan benar; | 3. a. <i>All information contained in the Bank's financial statements have been disclosed in a complete and truthful manner;</i> |
| b. Laporan keuangan Bank tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material; | b. <i>The Bank's financial statements do not contain misleading material information or facts, and do not omit material information or facts;</i> |
| 4. Kami bertanggung jawab atas sistem pengendalian intern Bank. | 4. <i>We are responsible for the Bank's internal control system.</i> |

Demikian pernyataan ini dibuat dengan *This statement has been made truthfully.*
sebenarnya.

Jakarta, 26 Maret/March 2024

Atas nama dan mewakili Direksi/ *For and on behalf of Board of Directors*


**François-Pascal Marie
Jacques du Mesnil de Maricourt**
Presiden Direktur/
President Director


Dio Alexander Samsuori
Direktur/
Director

PT Bank HSBC Indonesia

Kantor Pusat – World Trade Centre 3, Lantai 9, Jl. Jendral Sudirman Kav. 29-31, Jakarta 12920, Indonesia
Tel: +62 21 2554-5800, Fax: +62 21 5790-4461

Diterbitkan oleh PT Bank HSBC Indonesia yang terdaftar dan diawasi oleh Otoritas Jasa Keuangan (OJK)



**LAPORAN AUDITOR INDEPENDEN
KEPADA PARA PEMEGANG SAHAM**

PT BANK HSBC INDONESIA

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF**

Opini

Kami telah mengaudit laporan keuangan PT Bank HSBC Indonesia ("Bank"), yang terdiri dari laporan posisi keuangan tanggal 31 Desember 2023, serta laporan laba rugi dan penghasilan komprehensif lain, laporan perubahan ekuitas dan laporan arus kas untuk tahun yang berakhir pada tanggal tersebut, serta catatan atas laporan keuangan, termasuk informasi kebijakan akuntansi material.

Menurut opini kami, laporan keuangan terlampir menyajikan secara wajar, dalam semua hal yang material, posisi keuangan Bank tanggal 31 Desember 2023, serta kinerja keuangan dan arus kasnya untuk tahun yang berakhir pada tanggal tersebut, sesuai dengan Standar Akuntansi Keuangan di Indonesia.

Basis opini

Kami melaksanakan audit kami berdasarkan Standar Audit yang ditetapkan oleh Institut Akuntan Publik Indonesia. Tanggung jawab kami menurut standar tersebut diuraikan lebih lanjut dalam paragraf "Tanggung jawab auditor terhadap audit atas laporan keuangan" pada laporan kami. Kami independen terhadap Bank berdasarkan ketentuan etika yang relevan dalam audit kami atas laporan keuangan di Indonesia, dan kami telah memenuhi tanggung jawab etika lainnya berdasarkan ketentuan tersebut. Kami yakin bahwa bukti audit yang telah kami peroleh adalah cukup dan tepat untuk menyediakan suatu basis bagi opini audit kami.

Tanggung jawab manajemen dan pihak yang bertanggung jawab atas tata kelola terhadap laporan keuangan

Manajemen bertanggung jawab atas penyusunan dan penyajian wajar laporan keuangan tersebut 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.

Opinion

We have audited the financial statements of PT Bank HSBC Indonesia (the "Bank"), which comprise the statement of financial position as at 31 December 2023, 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 notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" paragraph of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Indonesia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

Kantor Akuntan Publik Tanudiredja, Wibisana, Rintis & Rekan

WTC 3, Jl. Jend. Sudirman Kav. 29-31, Jakarta 12920 – Indonesia

T: +62 (21) 5099 2901 / 3119 2901, F: +62 (21) 5290 5555 / 5290 5050, www.pwc.com/id

Dalam penyusunan laporan keuangan, manajemen bertanggung jawab untuk menilai kemampuan Bank dalam mempertahankan kelangsungan usahanya, mengungkapkan, sesuai dengan kondisinya, hal-hal yang berkaitan dengan kelangsungan usaha, dan menggunakan basis akuntansi kelangsungan usaha, kecuali manajemen memiliki intensi untuk melikuidasi Bank atau menghentikan operasi, atau tidak memiliki alternatif yang realistis selain melaksanakannya.

Pihak yang bertanggung jawab atas tata kelola bertanggung jawab untuk mengawasi proses pelaporan keuangan Bank.

Tanggung jawab auditor terhadap audit atas laporan keuangan

Tujuan kami adalah untuk memperoleh keyakinan memadai tentang apakah laporan keuangan secara keseluruhan bebas dari kesalahan penyajian material, baik yang disebabkan oleh kecurangan maupun kesalahan, dan untuk menerbitkan laporan auditor yang mencakup opini kami. Keyakinan memadai merupakan suatu tingkat keyakinan tinggi, namun bukan merupakan suatu jaminan bahwa audit yang dilaksanakan berdasarkan Standar Audit akan selalu mendeteksi kesalahan penyajian material ketika hal tersebut ada. Kesalahan penyajian dapat disebabkan oleh kecurangan maupun kesalahan dan dianggap material jika, baik secara individual maupun secara agregat, dapat diekspektasikan secara wajar akan memengaruhi keputusan ekonomi yang diambil oleh pengguna berdasarkan laporan keuangan tersebut.

Sebagai bagian dari suatu audit berdasarkan Standar Audit, kami menerapkan pertimbangan profesional dan mempertahankan skeptisisme profesional selama audit. Kami juga:

- Mengidentifikasi dan menilai risiko kesalahan penyajian material dalam laporan keuangan, baik yang disebabkan oleh kecurangan maupun kesalahan, mendesain dan melaksanakan prosedur audit yang responsif terhadap risiko tersebut, serta memperoleh bukti audit yang cukup dan tepat untuk menyediakan basis bagi opini kami. Risiko tidak terdeteksinya kesalahan penyajian material yang disebabkan oleh kecurangan lebih tinggi dari yang disebabkan oleh kesalahan, karena kecurangan dapat melibatkan kolusi, pemalsuan, penghilangan secara sengaja, pernyataan salah, atau pengabaian pengendalian internal.
- Memperoleh suatu pemahaman tentang pengendalian internal yang relevan dengan audit untuk mendesain prosedur audit yang tepat sesuai dengan kondisinya, tetapi bukan untuk tujuan menyatakan opini atas keefektifan pengendalian internal Bank.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.*



- Mengevaluasi ketepatan kebijakan akuntansi yang digunakan serta kewajaran estimasi akuntansi dan pengungkapan terkait yang dibuat oleh manajemen.
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- Menyimpulkan ketepatan penggunaan basis akuntansi kelangsungan usaha oleh manajemen dan, berdasarkan bukti audit yang diperoleh, apakah terdapat suatu ketidakpastian material yang terkait dengan peristiwa atau kondisi yang dapat menyebabkan keraguan signifikan atas kemampuan Bank untuk mempertahankan kelangsungan usahanya. Ketika kami menyimpulkan bahwa terdapat suatu ketidakpastian material, kami diharuskan untuk menarik perhatian dalam laporan auditor kami ke pengungkapan terkait dalam laporan keuangan atau, jika pengungkapan tersebut tidak memadai, harus menentukan apakah perlu untuk memodifikasi opini kami. Kesimpulan kami didasarkan pada bukti audit yang diperoleh hingga tanggal laporan auditor kami. Namun, peristiwa atau kondisi masa depan dapat menyebabkan Bank tidak dapat mempertahankan kelangsungan usaha.
- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.*
- Mengevaluasi penyajian, struktur, dan isi laporan keuangan secara keseluruhan, termasuk pengungkapannya, dan apakah laporan keuangan mencerminkan transaksi dan peristiwa yang mendasarinya dengan suatu cara yang mencapai penyajian wajar.
- *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

Kami mengomunikasikan kepada pihak yang bertanggung jawab atas tata kelola mengenai, antara lain, ruang lingkup dan saat yang direncanakan atas audit serta temuan audit signifikan, termasuk setiap defisiensi signifikan dalam pengendalian internal yang teridentifikasi oleh kami selama audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

JAKARTA,
26 Maret/March 2024

Lucy Luciana Suhenda, S.E., Ak., CPA
Izin Akuntan Publik/Public Accountant License No. AP 0229



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1025/2024-3/1/11/2024

PT BANK HSBC INDONESIA

LAPORAN POSISI KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan / Notes	31 Desember/ December 2023	31 Desember/ December 2022	
ASET				ASSETS
Kas	6,33	364.876	428.680	Cash
Giro pada Bank Indonesia	7,33	12.295.641	11.941.577	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	8,33,42	3.639.891	4.351.343	Demand deposits with Other banks
Dikurangi: cadangan penurunan nilai		(5.518)	(1.603)	Less: allowance for impairment losses
		3.634.373	4.349.740	
Penempatan pada Bank Indonesia	9,33	12.270.854	18.682.178	Placements with Bank Indonesia
Penempatan pada bank-bank lain	10,33,42	117.759	225.433	Placements with other Banks
Dikurangi: cadangan kerugian penurunan nilai		(51)	(75)	Less: allowance for impairment losses
		117.708	225.358	
Efek-efek untuk tujuan investasi	11,33	19.156.076	13.308.441	Investment securities
Aset keuangan dalam kelompok diperdagangkan	12,23,33	1.804.596	1.248.435	Financial assets held for trading
Tagihan derivatif	13,33,36,42	262.776	324.246	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	14,33	11.635.006	14.037.231	Securities purchased with agreements to resell
Wesel ekspor	15,33,42	5.361.747	2.159.919	Export bills
Dikurangi: cadangan kerugian penurunan nilai		(507)	(96.445)	Less: allowance for impairment losses
		5.361.240	2.063.474	
Tagihan akseptasi	16,33	1.541.817	2.095.274	Acceptance receivables
Dikurangi: cadangan kerugian penurunan nilai		(3.687)	(33.612)	Less: allowance for impairment losses
		1.538.130	2.061.662	
Kredit yang diberikan kepada nasabah	17,21,33,42	54.456.498	56.361.168	Loans to customers
Dikurangi: cadangan kerugian penurunan nilai		(2.197.595)	(2.827.043)	Less: allowance for impairment losses
		52.258.903	53.534.125	
Pajak dibayar dimuka	40a	772.421	830.888	Prepaid taxes
Aset lain-lain - bersih	18,33,42	2.624.859	1.707.621	Other assets - net
Aset tetap - bersih	19	728.360	839.861	Properties and equipments - net
Aset takberwujud - bersih	20	143.087	72.104	Intangible assets - net
Aset pajak tangguhan	40f	409.330	326.423	Deferred tax assets
JUMLAH ASET		125.378.236	125.982.044	TOTAL ASSETS

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

PT BANK HSBC INDONESIA

LAPORAN POSISI KEUANGAN
31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan / Notes	31 Desember/ December 2023	31 Desember/ December 2022	
LIABILITAS DAN EKUITAS				LIABILITIES AND EQUITY
LIABILITAS				LIABILITIES
Simpanan dari nasabah	21,33,42	86.318.762	90.187.668	Deposits from customers
Simpanan dari bank-bank lain	22,33,42	3.931.601	3.356.681	Deposits from other banks
Efek-efek yang dijual dengan Janji dibeli kembali	23,33	-	41.554	Securities sold under repurchase agreements
Liabilitas derivatif	13,33,36,42	279.059	466.359	Derivative payables
Utang akseptasi	16,33,42	1.541.817	2.095.274	Acceptance payables
Utang pajak penghasilan	40b	172.675	33.948	Income tax payable
Beban akrual dan provisi	24,33,42	603.667	543.273	Accruals and provisions
Liabilitas lain-lain	25,33,42	2.468.808	2.339.283	Other liabilities
Pinjaman yang diterima	26,33,42	9.469.155	7.550.237	Borrowings
Liabilitas imbalan kerja	27,38	452.004	449.491	Employee benefits obligation
Pinjaman subordinasi	28,33,42	1.154.775	1.167.563	Subordinated debt
JUMLAH LIABILITAS		106.392.323	108.231.331	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	29	10.586.395	10.586.395	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
Tambahan modal disetor - bersih	30	257.610	257.610	Additional paid-in capital - net
Cadangan program kompensasi berbasis saham	31	14.543	15.209	Share-based payment program reserves
Pengukuran kembali atas liabilitas imbalan pasca kerja		(31.037)	(32.270)	Remeasurements from post-employment benefits obligation
Perubahan nilai wajar bersih - efek-efek untuk tujuan investasi pada nilai wajar melalui penghasilan komprehensif lain - neto	11	(44.255)	(67.387)	Net changes in fair value - investment securities at fair value through other comprehensive income - net
Saldo laba:	32			Retained earnings:
- Telah ditentukan penggunaannya		96.274	77.248	Appropriated -
- Belum ditentukan penggunaannya		8.106.383	6.913.908	Unappropriated -
JUMLAH EKUITAS		18.985.913	17.750.713	TOTAL EQUITY
JUMLAH LIABILITAS DAN EKUITAS		125.378.236	125.982.044	TOTAL LIABILITIES AND EQUITY

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

PT BANK HSBC INDONESIA

**LAPORAN LABA RUGI DAN
PENGHASILAN KOMPREHENSIF LAIN
UNTUK TAHUN YANG BERAKHIR
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan / Notes	31 Desember/ December 2023	31 Desember/ December 2022	
PENDAPATAN OPERASIONAL				OPERATING INCOME
Pendapatan bunga	34,42	7.039.606	4.992.508	Interest income
Beban bunga	34,42	(2.618.235)	(1.245.625)	Interest expenses
Pendapatan bunga bersih		4.421.371	3.746.883	Net interest income
Pendapatan provisi dan komisi - bersih	35	1.074.523	1.141.219	Net fees and commissions income
Pendapatan instrumen yang diperdagangkan - bersih	36	1.446.346	998.066	Trading income - net
Laba atas selisih kurs - bersih		39.535	34.410	Foreign exchange gain - net
Keuntungan penjualan efek-efek tujuan investasi		3.840	83.534	Gain on sale of investment securities
Rugi dari aset yang dimiliki untuk dijual - bersih		(480)	(1.450)	Loss from assets held for sale - net
Pendapatan lainnya - bersih	42	18.574	24.259	Other income - net
Jumlah pendapatan operasional		7.003.709	6.026.921	Total operating income
(Pembentukan) penurunan nilai	37	(442.033)	(33.430)	(Provision) of impairment losses
BEBAN OPERASIONAL				OPERATING EXPENSES
Beban karyawan	27,38	(1.683.689)	(1.693.682)	Employees expenses
Beban umum dan administrasi	39,42,45	(1.558.360)	(1.614.872)	General and administrative expenses
Beban depresiasi aset tetap dan aset hak guna		(160.793)	(193.336)	Depreciation expenses of properties, equipments and right-of-use assets
Beban amortisasi aset takberwujud		(9.736)	(21.928)	Amortisation expenses of intangible assets
Jumlah beban operasional		(3.412.578)	(3.523.818)	Total operating expenses
LABA SEBELUM PAJAK		3.149.098	2.469.673	PROFIT BEFORE TAX
Beban pajak penghasilan	40c	(700.909)	(567.075)	Income tax expense
LABA BERSIH TAHUN BERJALAN		2.448.189	1.902.598	NET PROFIT FOR THE YEAR
PENGHASILAN/(BEBAN) KOMPREHENSIF LAIN, BERSIH SETELAH PAJAK				OTHER COMPREHENSIVE INCOME/(EXPENSES), NET OF TAX
Pos-pos yang akan direklasifikasi ke laba rugi: Efek-efek untuk tujuan Investasi pada nilai wajar melalui laba penghasilan komprehensif lain/tersedia untuk dijual:				Items that will be reclassified subsequently to profit or loss: Investment securities at fair value through other comprehensive income/available for sale:
- Perubahan nilai wajar tahun berjalan - bersih	11	33.118	(474.700)	Changes in fair value for the - during the year - net
- Cadangan kerugian kredit ekspektasian		295	(681)	Allowance for expected - credit loss
- Kerugian yang berasal dari penjualan atas efek-efek untuk tujuan investasi	11	(3.840)	(83.534)	Realised loss transferred to - profit or loss on disposal of investment securities
- Pajak penghasilan terkait	40f	(6.441)	122.811	Related income tax -
Subjumlah (dilanjutkan)		23.132	(436.104)	Subtotal (brought forward)

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

PT BANK HSBC INDONESIA

**LAPORAN LABA RUGI DAN
PENGHASILAN KOMPREHENSIF LAIN
UNTUK TAHUN YANG BERAKHIR
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan / Notes	31 Desember/ December 2023	31 Desember/ December 2022	
PENGHASILAN/(BEBAN) KOMPREHENSIF LAIN, BERSIH SETELAH PAJAK (lanjutan)				OTHER COMPREHENSIVE INCOME/(EXPENSES), NET OF TAX (continued)
Subjumlah (dilanjutkan)		23.132	(436.104)	Subtotal (carried forward)
Pos-pos yang tidak akan direklasifikasi ke laba rugi: Pengukuran kembali atas liabilitas imbalan pascakerja:				Items that will not be reclassified subsequently to profit or loss: Remeasurements from post- employment benefits obligation:
- Laba/(rugi) aktuarial tahun berjalan		1.581	1.773	Actuarial gain/(loss) - during the tahun
- Pajak penghasilan terkait	40f	(348)	(390)	Related income tax -
		1.233	1.383	
PENGHASILAN/(BEBAN) KOMPREHENSIF LAIN, BERSIH SETELAH PAJAK		24.365	(434.721)	OTHER COMPREHENSIVE INCOME/(EXPENSES), NET OF TAX
JUMLAH PENGHASILAN KOMPREHENSIF UNTUK TAHUN BERJALAN		2.472.554	1.467.877	TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Catatan atas laporan keuangan merupakan bagian yang tidak
terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these
financial statements.

PT BANK HSBC INDONESIA

**LAPORAN PERUBAHAN EKUITAS
UNTUK TAHUN YANG BERAKHIR
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**STATEMENT OF CHANGES IN EQUITY
AND FOR THE YEAR ENDED
31 DECEMBER 2023**

(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	Pengukuran kembali atas liabilitas imbalan pascakerja/ Remeasurements from post- employment benefits obligation	Saldo laba/ Retained earnings		Jumlah ekuitas/ Total equity	
						Telaah ditentukan penggunaannya/ Appropriated	Belum ditentukan penggunaannya/ Unappropriated		
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
Cadangan umum dan wajib yang telah ditentukan penggunaannya	-	-	-	-	-	14.729	(14.729)	-	Appropriation for general and legal reserves
Pembayaran dividen	-	-	-	-	-	-	(3.857.580)	(3.857.580)	Dividend payment
Perubahan cadangan program berbasis saham	-	-	(255)	-	-	-	-	(255)	Movement of share-based payment program reserves
Jumlah penghasilan komprehensif tahun berjalan:	-	-	-	-	-	-	-	-	Total comprehensive income for the year:
Laba bersih tahun berjalan	-	-	-	-	-	-	1.902.598	1.902.598	Net profit for the year
Penghasilan komprehensif lain, bersih setelah pajak:	-	-	-	-	-	-	-	-	Other comprehensive income, net of tax:
- Pengukuran kembali atas liabilitas imbalan pasca kerja	-	-	-	-	1.383	-	-	1.383	Remeasurements from post- employment benefits obligation
- Perubahan nilai wajar (aset keuangan yang diukur pada nilai wajar melalui penghasilan komprehensif lain) yang drealisasikan	-	-	-	(65.157)	-	-	-	(65.157)	Realised changes in fair value - (financial assets at fair value through other comprehensive income)
- Perubahan nilai wajar (aset keuangan yang diukur pada nilai wajar melalui penghasilan komprehensif lain) yang belum direalisasikan	-	-	-	(370.266)	-	-	-	(370.266)	Unrealised changes in fair value - (financial assets at fair value through other comprehensive income)
- Cadangan kerugian kredit ekspektasian (efek-efek untuk tujuan investasi pada nilai wajar melalui penghasilan komprehensif lain)	-	-	-	(681)	-	-	-	(681)	Allowance for expected credit losses (investment securities at fair value through other comprehensive income)
Jumlah penghasilan komprehensif tahun berjalan	-	-	-	(436.104)	1.383	-	1.902.598	1.467.877	Total comprehensive income for the year
Saldo, 31 Desember 2022	10.586.395	257.610	15.209	(67.387)	(32.270)	77.248	6.913.908	17.750.713	Balance, 31 December 2022

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

PT BANK HSBC INDONESIA

**LAPORAN ARUS KAS
UNTUK TAHUN YANG BERAKHIR
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan khusus lain)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan / Notes	31 Desember/ December 2023	31 Desember/ December 2022	
ARUS KAS DARI				CASH FLOWS FROM
AKTIVITAS OPERASI				OPERATING ACTIVITIES
Penerimaan pendapatan bunga		6.599.043	5.150.764	Receipts from interest income
Pembayaran beban bunga		(2.548.070)	(1.211.957)	Payments for interest expenses
Penerimaan provisi dan komisi		1.465.442	1.780.172	Receipts from fees and commissions
Pembayaran provisi dan komisi		(413.053)	(644.158)	Payments for fees and commissions
Penerimaan Pendapatan instrumen yang diperdagangkan		1.487.887	1.031.147	Receipts from trading income
Pembayaran beban operasional		(3.169.559)	(3.528.351)	Payments for operating expenses
Pembayaran pajak penghasilan badan		(651.878)	(543.510)	Corporate income tax paid
Perubahan aset operasi:				Changes in operating assets:
Aset yang diukur pada nilai wajar melalui laba rugi		(556.161)	1.455.556	Asset at fair value through profit or loss
Tagihan derivatif		61.470	(121.605)	Derivative receivables
Kredit yang diberikan kepada nasabah		426.571	(504.544)	Loans to customers
Efek-efek yang dibeli dengan janji dijual kembali		2.402.225	(3.976.939)	Securities purchased with agreements to resell
Wesel ekspor		(3.185.945)	(226.191)	Export bills
Aset lain-lain		250.552	442.912	Other assets
		(601.288)	(2.930.811)	
Perubahan liabilitas operasi:				Changes in operating liabilities:
Simpanan dari nasabah		(3.590.318)	2.793.009	Deposits from customers
Simpanan dari bank-bank lain		574.920	(2.583.392)	Deposits from other banks
Liabilitas derivatif		(187.300)	278.299	Derivative payables
Beban akrual dan provisi		(9.771)	58.421	Accruals and provisions
Liabilitas lain-lain		(390.926)	(236.117)	Other liabilities
		(3.603.395)	310.220	
Kas bersih yang digunakan untuk aktivitas operasi		(1.434.871)	(586.484)	Net cash used in operating activities
ARUS KAS DARI AKTIVITAS INVESTASI				CASH FLOWS FROM INVESTING ACTIVITIES
Pembelian efek-efek untuk tujuan investasi		(12.297.279)	(2.863.227)	Purchase of investment securities
Penerimaan dari efek-efek untuk tujuan investasi yang dijual dan yang jatuh tempo		6.452.887	9.957.287	Proceeds from sale and maturity of investment securities
Hasil penjualan aset tetap	19	8.410	14.249	Proceeds from sale of properties and equipments
Perolehan aset tetap	19	(85.385)	(125.854)	Acquisition of properties and equipments
Perolehan aset takberwujud	20	(91.725)	(27.055)	Acquisition of intangible assets
Kas bersih yang (digunakan untuk)/ diperoleh dari aktivitas investasi		(6.013.092)	6.955.400	Net cash (used in)/provided by investing activities

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 YANG BERAKHIR
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan khusus lain)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

	Catatan / Notes	31 Desember/ December 2023	31 Desember/ December 2022	
ARUS KAS DARI AKTIVITAS PENDANAAN				CASH FLOWS FROM FINANCING ACTIVITIES
Pembayaran pinjaman		(7.332.550)	(14.281.153)	Payment from borrowings
Perolehan pinjaman		9.339.960	14.996.178	Proceed from borrowing
Pembayaran dividen kas	32	(1.236.688)	(3.857.580)	Payments for cash dividend
Pembayaran liabilitas sewa		(92.870)	(122.271)	Payments for lease liabilities
Kas bersih (digunakan untuk)/ diperoleh dari aktivitas pendanaan		677.852	(3.264.826)	Net cash (used in)/provided by financing activities
(PENURUNAN)/KENAIKAN BERSIH KAS DAN SETARA KAS		(6.770.111)	3.104.090	NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS
PENGARUH SELISIH KURS KURS MATA ASING PADA KAS DAN SETARA KAS		(170.079)	921.275	EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATION ON CASH AND CASH EQUIVALENTS
KAS DAN SETARA KAS, AWAL TAHUN		35.629.211	31.603.846	CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR
KAS DAN SETARA KAS, AKHIR TAHUN		28.689.021	35.629.211	CASH AND CASH EQUIVALENTS, ENDING OF THE YEAR
Kas dan setara kas terdiri dari:				Cash and cash equivalents consist of:
Kas	6	364.876	428.680	Cash
Giro pada Bank Indonesia	7	12.295.641	11.941.577	Demand deposits with Bank Indonesia
Giro pada bank-bank lain	8	3.639.891	4.351.343	Demand deposits with other banks
Penempatan pada Bank Indonesia - jatuh tempo dalam 3 bulan sejak tanggal perolehan	9	12.270.854	18.682.178	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	117.759	225.433	Placements with other banks - mature within 3 months from the date of acquisition
		28.689.021	35.629.211	

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 YANG BERAKHIR
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan khusus lain)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
31 DECEMBER 2023**

(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 2022	Arus kas/ Cash flows	Perubahan non-kas/ Non-cash changes	31 Desember/ December 2023	
Kas dan setara kas	35.629.211	(6.770.111)	(170.079)	28.689.021	Cash and cash equivalents
Rekonsiliasi liabilitas yang timbul dari aktivitas pendanaan:					Reconciliation of liabilities arising from financing activities:
- Pinjaman yang diterima	(7.550.237)	(2.007.410)	88.492	(9.469.155)	Borrowings -
- Pinjaman subordinasi	(1.167.563)	-	12.788	(1.154.775)	Subordinated debt -
- Liabilitas sewa	(354.749)	92.870	(17.687)	(279.566)	Lease liabilities -
Utang bersih	26.556.662	(8.684.651)	(86.486)	17.785.525	Net debt

	31 Desember/ December 2021	Arus kas/ Cash flows	Perubahan non-kas/ Non-cash changes	31 Desember/ December 2022	
Kas dan setara kas	31.603.846	3.104.090	921.275	35.629.211	Cash and cash equivalents
Rekonsiliasi liabilitas yang timbul dari aktivitas pendanaan:					Reconciliation of liabilities arising from financing activities:
- Pinjaman yang diterima	(6.199.838)	(715.025)	(635.374)	(7.550.237)	Borrowings -
- Pinjaman subordinasi	(1.068.937)	-	(98.626)	(1.167.563)	Subordinated debt -
- Liabilitas sewa	(373.603)	122.271	(103.417)	(354.749)	Lease liabilities -
Utang bersih	23.961.468	2.511.336	83.856	26.556.662	Net debt

Catatan atas laporan keuangan merupakan bagian yang tidak terpisahkan dari laporan keuangan.

The accompanying notes form an integral part of these financial statements.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN 31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

1. UMUM

a. Pendirian dan informasi umum

PT Bank HSBC Indonesia (sebelumnya PT Bank Ekonomi Rahardja, atau "Bank" atau "Perseroan") 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 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 Notaris 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.Tahun 2016 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.

Anggaran dasar Bank telah mengalami beberapa kali perubahan. Perubahan terakhir dilakukan dengan akta No. 47 tanggal 11 April 2023 yang dibuat di hadapan Jose Dima Satria, S.H., M.Kn., notaris di Jakarta, dimana pemegang saham Bank menyetujui perubahan dan pernyataan kembali Anggaran Dasar Perseroan. Perubahan ini disetujui Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dengan Surat Keputusan No. AHU-0023057.AH.01.02.TAHUN 2023 tanggal 17 April 2023.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL

a. Establishment and general information

PT Bank HSBC Indonesia (formerly PT Bank Ekonomi Rahardja, or "the Bank" or "the Company") 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 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 the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0014340.AH.01.02. Tahun 2016 dated 10 August 2016 and has been approved by Financial Services Authority (FSA) through the Board Commissioner Decision No. 15/KDK.03/2016 dated 4 October 2016 on The Confirmation to Use The Bank's Business License from PT Bank Ekonomi Raharja to PT Bank HSBC Indonesia.

The Bank's articles of association have been amended several times. The latest amendment was reflected on Notarial Deed No. 47 dated 11 April 2023 of Jose Dima Satria, S.H., M.Kn., Notary in Jakarta, whereby the Bank's shareholders agreed to the amendment and restatement of all Articles of Association of the Company. This was approved by the Minister of Law and Human Rights of the Republic of Indonesia through its Decision Letter No. AHU-0023057.AH.01.02.TAHUN 2023 dated 17 April 2023.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

1. UMUM (lanjutan)

a. Pendirian dan informasi umum (lanjutan)

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.

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 Centre 3, Lantai 9 Jl. Jenderal Sudirman Kav. 29-31, Jakarta 12920. Pada tanggal 31 Desember 2023 dan 2022, Bank memiliki kantor cabang utama (termasuk kantor pusat) dan cabang pembantu di Indonesia sebagai berikut (tidak diaudit):

	<u>31 Desember/ December 2023</u>	<u>31 Desember/ December 2022</u>
Kantor cabang (termasuk kantor pusat)	23	29
Kantor cabang pembantu	12	13

Personil manajemen kunci mencakup Dewan Komisaris, Direksi dan Kepala Divisi tertentu yang memiliki kewenangan dan tanggung jawab signifikan untuk merencanakan, mengarahkan dan mengendalikan kegiatan Bank.

Pada tanggal 31 Desember 2023 dan 2022, jumlah karyawan Bank masing-masing sebanyak 2.690 dan 2.864 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.

1. GENERAL (continued)

a. Establishment and general information (continued)

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.*

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 Centre 3, 9th floor Jl. Jenderal Sudirman Kav. 29-31, Jakarta 12920. As of 31 December 2023 and 2022, the Bank has the following main branches (including the head office) and sub-branches in Indonesia (unaudited):

	<u>31 Desember/ December 2023</u>	<u>31 Desember/ December 2022</u>
Kantor cabang (termasuk kantor pusat)	23	29
Kantor cabang pembantu	12	13

Key management personnel includes the Board of Commissioners, Board of Directors and certain Heads of Division having significant authority and responsibility for planning, directing and controlling the Bank's activities.

As of 31 December 2023 and 2022, the Bank has 2,690 and 2,864 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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

1. UMUM (lanjutan)

a. Pendirian dan informasi umum (lanjutan)

Susunan Dewan Komisaris dan Direksi Bank pada tanggal 31 Desember 2023 adalah sebagai berikut:

31 Desember/December 2023		
Presiden Komisaris	Martin John Haythorne	<i>President Commissioner</i>
Komisaris Independen	Umar Juoro	<i>Independent Commissioner</i>
Komisaris Independen	Catherinawati Hadiman Sugianto	<i>Independent Commissioner</i>
Komisaris	Mark Trevor Surgenor	<i>Commissioner</i>
Komisaris	Philip David Fellowes	<i>Commissioner</i>
Komisaris Independen	Rita Mas'Oen	<i>Independent Commissioner</i>
Presiden Direktur	Francois de Maricourt	<i>President Director</i>
Direktur	Stephen Whilton Angell ¹⁾	<i>Director</i>
Direktur	Dio Alexander Samsoeri	<i>Director</i>
Direktur	Riko Adythia	<i>Director</i>
Direktur	James Rex Elwes ⁴⁾	<i>Director</i>
Direktur Kepatuhan	Nisha Asha Bhambhani	<i>Compliance Director</i>
Direktur	Yardley	<i>Director</i>
Direktur	Lanny Hendra ²⁾	<i>Director</i>
Direktur	Carlos, Isidro Quilis ³⁾	<i>Director</i>

¹⁾ Efektif mengundurkan diri sebagai Direktur tanggal 31 Mei 2023.

²⁾ Efektif menjabat sebagai Direktur sejak tanggal 21 Februari 2023.

³⁾ Efektif menjabat sebagai Direktur sejak tanggal 1 Juni 2023.

⁴⁾ Mengajukan pengunduran diri sebagai Direktur melalui surat tertanggal 29 Desember 2023. Bank telah menyampaikan informasi ini ke OJK melalui surat nomor 004/DIR/OJK/I/2024 tanggal 4 Januari 2024.

1. GENERAL (continued)

a. Establishment and general information (continued)

The composition of the Bank's Board of Commissioners and Board of Directors as of 31 December 2023 are as follows:

31 Desember/December 2022		
Presiden Komisaris	Martin John Haythorne ¹⁾	<i>President Commissioner</i>
Komisaris Independen	Umar Juoro	<i>Independent Commissioner</i>
Komisaris Independen	Catherinawati Hadiman S	<i>Independent Commissioner</i>
Komisaris	Mark Trevor Surgenor	<i>Commissioner</i>
Komisaris	Philip David Fellowes ²⁾	<i>Commissioner</i>
Komisaris Independen	Rita Mas'Oen ³⁾	<i>Independent Commissioner</i>
Presiden Direktur	François-Pascal Marie Jacques du Mesnil de Maricourt	<i>President Director</i>
Direktur	Stephen Whilton Angell	<i>Director</i>
Direktur	Dio Alexander Samsoeri	<i>Director</i>
Direktur	Riko Adythia	<i>Director</i>
Direktur Kepatuhan	Nisha Asha Bhambhani	<i>Compliance Director</i>
Direktur	James Rex Elwes	<i>Director</i>
Direktur	Yardley	<i>Director</i>
Direktur	Lanny Hendra ⁴⁾	<i>Director</i>
Direktur	Carlos, Isidro Quilis ⁵⁾	<i>Director</i>

¹⁾ Efektif menjabat sebagai Presiden Komisaris Bank sejak tanggal 9 Februari 2022.

²⁾ Efektif menjabat sebagai Komisaris Bank sejak tanggal 22 April 2022.

³⁾ Efektif menjabat sebagai Komisaris Independen sejak tanggal 6 Oktober 2022.

⁴⁾ Efektif sejak tanggal yang ditentukan oleh Perseroan setelah diperolehnya persetujuan dari Otoritas Jasa Keuangan (OJK) atas penilaian kemampuan dan kepatutan (*Fit and Proper Test*) dengan memperhatikan peraturan dan perundang-undangan yang berlaku.

⁵⁾ Efektif sejak tanggal yang ditentukan oleh Perseroan setelah diperolehnya persetujuan dari OJK atas penguangan rencana penggantian tersebut dalam Rencana Bisnis Bank 2023-2024 (RBB) dan mendapatkan persetujuan OJK atas RBB tersebut, mendapatkan persetujuan *Fit and Proper Test* dari OJK dan mendapatkan ijin kerja dari instansi pemerintah terkait dengan memperhatikan peraturan perundang-undangan yang berlaku, serta persetujuan lain sesuai dengan peraturan dan perundang-undangan di Indonesia.

¹⁾ *Effectively appointed as President Commissioner of the Bank since 9 February 2022.*

²⁾ *Effectively appointed as Commissioner of the Bank since 22 April 2022.*

³⁾ *Effectively appointed as Independent Commissioner of the Bank since 6 October 2022.*

⁴⁾ *Effective from the date determined by the Company after obtaining approval from the Financial Services Authority (OJK) for the Fit and Proper Test taking into account the prevailing laws and regulations.*

⁵⁾ *Effective from the date determined by the Company after obtaining approval from the OJK for the inclusion of the replacement plan in the Bank's Business Plan 2023-2024 (RBB) and obtaining OJK approval of the RBB, obtaining Fit and Proper Test approval from the OJK, and obtaining a work permit from the relevant government agency by taking into account the applicable laws and regulations, as well as other approval in accordance with the laws and regulations in Indonesia.*

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

1. UMUM (lanjutan)

a. Pendirian dan informasi umum (lanjutan)

Susunan Komite Audit Bank adalah sebagai berikut:

	31 Desember/December 2023	
Ketua	Catherinawati Hadiman Sugianto	Chairperson
Anggota	Umar Juoro	Member
Anggota	Rita Mas Oen	Member
Anggota	Ubaidillah Nugraha	Member
Anggota	Kartini Sally	Member
	31 Desember/December 2022	
Ketua	Catherinawati Hadiman Sugianto	Chairperson
Anggota	Umar Juoro	Member
Anggota	Rita Mas Oen	Member
Anggota	Ubaidillah Nugraha	Member
Anggota	Kartini Sally	Member

Pada tanggal 31 Desember 2023 dan 2022, Kepala Satuan Kerja Audit Internal Bank adalah Wiwien Widyantari.

The composition of the Bank's Audit Committee are as follows:

As of 31 December 2023 and 2022, the Bank's Chief of Internal Audit Unit was Wiwien Widyantari.

Pada tanggal 31 Desember 2023 dan 2022, Sekretaris Perusahaan Bank adalah Uliya Ariani.

As of 31 December 2023 and 2022, the Bank's Corporate Secretary was Uliya Ariani.

2. DASAR PENYUSUNAN

Laporan keuangan Bank telah disetujui untuk diterbitkan oleh manajemen pada tanggal 26 Maret 2024.

Berikut ini adalah dasar penyusunan laporan keuangan.

a. Pernyataan kepatuhan dan dasar penyusunan laporan keuangan

Laporan keuangan Bank disusun sesuai dengan Standar Akuntansi Keuangan (SAK) di Indonesia.

Laporan keuangan disusun berdasarkan harga perolehan, kecuali 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.

2. BASIS OF PREPARATION

The Bank's financial statements were authorised for issue by the management on 26 March 2024.

The basis of preparation of the financial statements are set out below.

a. Statement of compliance and basis for preparation of financial statements

The Bank's financial statements have been prepared in accordance with Indonesian Financial Accounting Standards (FAS).

The financial statements are prepared under the historical cost convention, except 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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

2. DASAR PENYUSUNAN (lanjutan)

b. Penggunaan pertimbangan, taksiran dan asumsi

Penyusunan laporan keuangan sesuai dengan Standar Akuntansi Keuangan di Indonesia mengharuskan manajemen untuk membuat pertimbangan-pertimbangan, taksiran-taksiran, dan asumsi-asumsi yang mempengaruhi penerapan kebijakan akuntansi dan jumlah aset, liabilitas, pendapatan dan beban yang dilaporkan.

Walaupun taksiran ini dibuat berdasarkan pengetahuan terbaik manajemen atas kejadian dan kegiatan saat ini, hasil aktual dapat berbeda dari taksiran-taksiran tersebut.

Taksiran-taksiran dan asumsi-asumsi yang digunakan ditelaah secara berkesinambungan. Revisi atas taksiran akuntansi diakui pada periode dimana taksiran tersebut direvisi dan periode-periode yang akan datang yang dipengaruhi oleh revisi taksiran tersebut.

Informasi mengenai hal-hal penting yang terkait dengan ketidakpastian taksiran dan pertimbangan-pertimbangan penting dalam penerapan kebijakan akuntansi yang memiliki dampak yang signifikan terhadap jumlah yang diakui dalam laporan keuangan dijelaskan di Catatan 5.

c. Perubahan kebijakan akuntansi

Kecuali dinyatakan di bawah ini, kebijakan akuntansi yang berakhir tanggal 31 Desember 2023 telah diterapkan secara konsisten dengan laporan keuangan tahunan untuk tahun yang berakhir 31 Desember 2022 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 2023, sebagai berikut:

- Amendemen PSAK 1, "Penyajian Laporan Keuangan" - Pengungkapan Kebijakan Akuntansi
- Amendemen PSAK 16, "Aset tetap" tentang hasil sebelum penggunaan yang diintensifkan
- Amendemen PSAK 25, "Kebijakan Akuntansi, Perubahan Estimasi Akuntansi, dan Kesalahan" - Definisi estimasi akuntansi
- Amendemen PSAK 46 "Pajak Penghasilan" - Pajak Tangguhan terkait Aset dan Liabilitas yang timbul dari Transaksi Tunggal

Implementasi dari standar-standar tersebut tidak menghasilkan perubahan substansial terhadap kebijakan akuntansi Bank dan tidak memiliki dampak yang material terhadap laporan keuangan atau tahun sebelumnya.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

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 amounts recognised in the financial statements are described in Note 5.

c. Changes in accounting policies

Except as described below, the accounting policies applied for the year-ended 31 December 2023 are consistent with those of the annual financial statements for the year ended 31 December 2022 which conform to the Indonesian Financial Accounting Standards.

The Indonesian Financial Accounting Standards Board (DSAK IAI) has issued revision of the following accounting standards which are effective on 1 January 2023, as follows:

- Amendment to SFAS 1, "Presentation of Financial Reports" - Disclosure of Accounting Policies
- Amendment to SFAS 16, "Fixed assets" about yield before intended use;
- Amendment to SFAS 25, "Accounting Policies, Changes in Accounting Estimates, and Errors" - Definition of accounting estimates;
- Amendment to SFAS 46, "Income Tax" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction;

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 or prior financial years.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

2. DASAR PENYUSUNAN (lanjutan)

c. Perubahan kebijakan akuntansi (lanjutan)

Untuk periode yang dimulai pada dan setelah tanggal 1 Januari 2024, nomor referensi individual Pernyataan Standar Akuntansi Keuangan ("PSAK") dan Interpretasi Standar Akuntansi Keuangan ("ISAK") akan disusun kembali dan diubah berdasarkan publikasi Dewan Standar Akuntansi Ikatan Akuntan Indonesia ("DSAK-IAI"). Sebagai akibatnya, nomor referensi PSAK dan ISAK saat ini akan berubah di tahun-tahun mendatang. Hal ini diperkirakan tidak menimbulkan dampak akuntansi terhadap laporan keuangan.

3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL

Kebijakan-kebijakan akuntansi yang material 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 (uang jaminan) yang disajikan sebagai bagian dari liabilitas lain-lain.

a.1. Klasifikasi

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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

c. Changes in accounting policies (continued)

For accounting periods beginning on and after 1 January 2024, the reference numbers of individual Statements of Financial Accounting Standards ("PSAK") and Interpretation of Financial Accounting Standards (ISAK) will be reordered and amended based on those as published by the Financial Accounting Standards Board of the Institute of Indonesia Chartered Accountants ("DSAK-IAI"). As a result, current reference numbers to PSAK and ISAK will change in future years. This is not expected to result in any accounting impact to the financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material 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 purchased with agreements 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 debt and other financial liabilities (security deposits) that are presented as part of other liabilities.

a.1. Classification

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.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**
a. Aset dan liabilitas keuangan (lanjutan)
a.1. Klasifikasi (lanjutan)

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 (*hold 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**
a. Financial assets and liabilities (continued)
a.1. Classification (continued)

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 (*hold 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 outstanding principal amount.

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
- Accelerated prepayment and extension terms of facility

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

a. Aset dan liabilitas keuangan (lanjutan)

a.1. Klasifikasi (lanjutan)

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 *held to collect* ketika terdapat peningkatan risiko kredit. Penghentian untuk alasan lain diperbolehkan namun jumlah penjualan tersebut harus tidak signifikan jumlahnya atau tidak sering.

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 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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

a. Financial assets and liabilities (continued)

a.1. Classification (continued)

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 (*held 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 gain 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 *held 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.

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 assets or financial liabilities are 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 liabilities. The subsequent measurement of financial assets and financial liabilities depends on their classification.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

a. Aset dan liabilitas keuangan (lanjutan)

a.2. Pengakuan (lanjutan)

Biaya transaksi hanya meliputi biaya-biaya yang dapat diatribusikan secara langsung untuk perolehan suatu aset keuangan atau penerbitan suatu liabilitas keuangan dan merupakan biaya tambahan yang tidak akan terjadi apabila instrumen keuangan tersebut tidak diperoleh atau diterbitkan. Biaya transaksi tersebut diamortisasi selama umur instrumen berdasarkan metode suku bunga efektif dan dicatat sebagai bagian dari pendapatan bunga untuk biaya transaksi sehubungan dengan aset keuangan atau sebagai bagian dari beban bunga untuk biaya transaksi sehubungan dengan liabilitas keuangan.

a.3. Penghentian pengakuan

Bank menghentikan pengakuan aset keuangan pada saat hak kontraktual atas arus kas yang berasal dari aset keuangan tersebut kedaluwarsa, 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 kedaluwarsa.

Bank menghapusbukukan saldo kredit dan efek untuk tujuan investasi, dan penyisihan kerugian penurunan nilai terkait, pada saat Bank menentukan bahwa kredit atau efek-efek tersebut tidak dapat ditagih. Keputusan ini diambil setelah mempertimbangkan informasi seperti telah terjadinya perubahan signifikan pada posisi keuangan debitur/penerbit sehingga debitur/penerbit tidak lagi dapat melunasi kewajibannya, atau hasil penjualan agunan tidak akan cukup untuk melunasi seluruh eksposur yang diberikan. Selisih lebih nilai tercatat kredit yang diberikan atas arus kas masuk dari eksekusi jaminan dibebankan sebagai kerugian penurunan nilai dalam laba rugi tahun berjalan.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

a. Financial assets and liabilities (continued)

a.2. Recognition (continued)

Transaction costs only include those costs that are directly attributable to the acquisition of a financial asset or issuance of a financial liabilities and are incremental costs that would not have been incurred if the financial instrument had not been acquired or issued. Such transaction costs are amortised over the terms of the instruments based on the effective interest method and are recorded as part of interest income for transaction costs related to financial assets or interest expenses for transaction costs related to financial liabilities.

a.3. Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Bank transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which the Bank has substantially transfer all the risks and rewards of ownership of the financial asset. Any rights or obligation in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liabilities 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.

CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
 (lanjutan)

a. Aset dan liabilitas keuangan (lanjutan)
a.4. Saling hapus

Aset keuangan dan liabilitas keuangan disalinghapuskan dan jumlah netonya dilaporkan pada laporan posisi keuangan ketika terdapat hak yang berkekuatan hukum untuk melakukan saling hapus atas jumlah yang telah diakui tersebut dan adanya niat untuk menyelesaikan secara neto, atau untuk merealisasikan aset dan menyelesaikan liabilitas secara bersamaan. Hak saling hapus tidak kontingen atas peristiwa di masa depan dan dapat dipaksakan secara hukum dalam situasi bisnis yang normal dan dalam peristiwa gagal bayar, atau peristiwa kepailitan atau kebangkrutan Bank atau pihak lawan.

a.5. Pengukuran biaya perolehan diamortisasi

Aset atau liabilitas keuangan yang diukur dengan biaya perolehan diamortisasi adalah jumlah aset atau liabilitas keuangan yang diukur pada saat pengakuan awal, dikurangi pembayaran pokok, ditambah atau dikurangi dengan amortisasi kumulatif dengan menggunakan metode suku bunga efektif yang dihitung dari selisih antara nilai awal dan nilai jatuh temponya, dan dikurangi penyisihan kerugian penurunan nilai.

a.6. Pengukuran nilai wajar

Nilai wajar adalah harga yang akan diterima untuk menjual suatu aset atau harga yang akan dibayar untuk mengalihkan suatu liabilitas dalam transaksi teratur (*orderly transaction*) antara pelaku pasar (*market participants*) pada tanggal pengukuran di pasar utama atau, jika tidak terdapat pasar utama, di pasar yang paling menguntungkan dimana Bank memiliki akses pada tanggal tersebut. Nilai wajar liabilitas mencerminkan risiko wanprestasinya.

Jika tersedia, Bank mengukur nilai wajar instrumen menggunakan harga kuotasi di pasar aktif untuk instrumen tersebut.

Instrumen keuangan dianggap memiliki kuotasi di pasar aktif jika harga kuotasi tersedia sewaktu-waktu dan dapat diperoleh secara rutin dari bursa, pedagang efek (*dealer*), perantara efek (*broker*), kelompok industri, badan pengawas (*pricing service* atau *regulatory agency*), dan harga tersebut mencerminkan transaksi pasar yang aktual dan rutin dalam suatu transaksi yang wajar. Jika kriteria di atas tidak terpenuhi, maka pasar aktif dinyatakan tidak tersedia. Indikasi-indikasi dari pasar tidak aktif adalah terdapat selisih yang besar antara harga penawaran dan permintaan atau kenaikan signifikan dalam selisih harga penawaran dan permintaan atau hanya terdapat beberapa transaksi terkini.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION
 (continued)

a. Financial assets and liabilities (continued)
a.4. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default insolvency or bankruptcy of the Bank or the counterparty.

a.5. Amortised cost measurement

Financial assets or liabilities measured at amortised cost is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, and minus any reduction for impairment.

a.6. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)****a. Aset dan liabilitas keuangan (lanjutan)****a.6. Pengukuran nilai wajar (lanjutan)**

Bukti terbaik atas nilai wajar instrumen keuangan pada saat pengakuan awal adalah harga transaksi, yaitu nilai wajar dari pembayaran yang diberikan atau diterima. Jika Bank menetapkan bahwa nilai wajar pada pengakuan awal berbeda dengan harga transaksi dan nilai wajar tidak dapat dibuktikan dengan harga kuotasi di pasar aktif untuk aset atau liabilitas yang sejenis atau berdasarkan teknik penilaian yang hanya menggunakan data dari pasar yang dapat diobservasi, maka nilai wajar instrumen keuangan pada saat pengakuan awal disesuaikan untuk menanggulangi perbedaan antara nilai wajar pada saat pengakuan awal dan harga transaksi.

Setelah pengakuan awal, perbedaan tersebut diamortisasi dan diakui dalam laba rugi sepanjang umur dari instrumen tersebut.

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 *SOFR 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 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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)****a. Financial assets and liabilities (continued)****a.6. Fair value measurement (continued)**

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is amortised and recognised in profit or loss over the life of the instrument.

For financial instruments with no quoted market price, a reasonable estimate of the fair value is determined by referring 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 by 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, *SOFR 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) which is directly attributable and is an additional cost to acquire the financial asset, and subsequently measured at their amortised cost using the effective interest method.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)****d. Kredit yang diberikan kepada nasabah**

Kredit yang diberikan kepada nasabah adalah penyediaan uang atau tagihan yang dapat disetarakan dengan kas, berdasarkan persetujuan atau kesepakatan pinjam-meminjam dengan debitur yang mewajibkan debitur untuk melunasi utang berikut bunganya setelah jangka waktu tertentu.

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 dan efek-efek yang dijual dengan janji dibeli 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.

Efek-efek yang dijual dengan janji dibeli kembali disajikan sebagai liabilitas dalam laporan posisi keuangan sebesar harga pembelian kembali yang disepakati dikurangi dengan selisih antara harga jual dan harga beli kembali yang disepakati. Selisih antara harga jual dan harga pembelian kembali yang disepakati diamortisasi sebagai beban bunga selama jangka waktu sejak efek-efek tersebut dijual hingga dibeli kembali dengan menggunakan metode suku bunga efektif.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)****d. Loans to customers**

Loans to customers represent provision of cash or cash equivalent based on agreements with debtors, where debtors are required to repay their debts with interest after a specified period.

The types of loans consist of working capital, investment, consumption 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 conducted 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 agreements to resell and Securities sold under repurchase agreements.

Securities purchased with agreements 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 in the statement of financial position.

Securities sold under repurchase agreements are presented as liabilities in the position report finances at the agreed buyback price minus Interest is paid upfront that has not been amortized. The difference between the selling price and the buyback price the agreed one is treated as an upfront prepaid interest expense and is recognized as a burden interest over the period from the time the securities are sold until they are repurchased using the effective interest rate method.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(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), Sekuritas Rupiah Bank Indonesia (SRBI), Sekuritas Valas Bank Indonesia (SVBI), Surat Perbendaharaan Negara (SPN), obligasi pemerintah, dan sukuk.

Setelah pengakuan awal, efek-efek untuk tujuan investasi diukur sesuai dengan klasifikasinya masing-masing, baik diukur pada biaya perolehan diamortisasi atau diukur pada nilai wajar melalui penghasilan komprehensif lain (FVOCI).

1. Setelah pengakuan awal, investasi diukur pada biaya perolehan diamortisasi dengan menggunakan metode suku bunga efektif.
2. 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.

Investasi pada sukuk

Bank menentukan klasifikasi investasi pada sukuk berdasarkan model usaha dengan mengacu pada PSAK 110, "Akuntansi Sukuk" sebagai berikut:

- a. Surat berharga diukur pada biaya perolehan disajikan sebesar biaya perolehan (termasuk biaya transaksi) yang disesuaikan dengan premi dan/atau diskonto yang belum diamortisasi. Premi dan diskonto diamortisasi selama periode hingga jatuh tempo.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(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, Bank Indonesia Rupiah Securities, Bank Indonesia Foreign Currency Securities, government bonds, and sukuk.

Subsequent to initial measurement, investment securities are measured based on their respective classifications, as either measured at amortised cost or measured at fair value through other comprehensive income (FVOCI).

1. Subsequent to initial recognition, investment is measured at amortised cost using effective interest rate method.
2. 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. Changes 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.

Investments in sukuk

The Bank determines the classification of their investment in sukuk based on business model in accordance with SFAS 110, "Accounting for Sukuk" as follows:

- a. Investment securities are measured at cost and are presented at acquisition cost (including transaction costs) adjusted for unamortised premiums and/or discounts. Premiums and discounts are amortised over the period to maturity.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

h. Efek-efek untuk tujuan investasi (lanjutan)

Investasi pada sukuk (lanjutan)

Bank menentukan klasifikasi investasi pada sukuk berdasarkan model usaha dengan mengacu pada PSAK 110 "Akuntansi Sukuk" sebagai berikut (lanjutan):

- b. Surat berharga diukur pada nilai wajar melalui penghasilan komprehensif lain yang dinyatakan sebesar nilai wajar. Keuntungan atau kerugian yang belum direalisasi akibat kenaikan atau penurunan nilai wajarnya disajikan dalam penghasilan komprehensif lain tahun berjalan.

Untuk investasi pada sukuk yang diklasifikasikan sebagai diukur pada nilai wajar melalui penghasilan komprehensif lain, pada saat pengakuan awal, Bank mencatat investasi pada sukuk sebesar nilai wajar ditambah atau dikurangi 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.

Untuk investasi pada sukuk yang diklasifikasikan sebagai diukur pada nilai wajar melalui laba rugi, pada saat pengakuan awal, Bank mencatat investasi pada sukuk sebesar nilai wajarnya dan biaya transaksi diakui secara langsung ke dalam laporan laba rugi. Keuntungan dan kerugian yang timbul dari perubahan nilai wajar dan penjualan instrumen keuangan diakui di dalam laporan laba rugi dan dicatat masing-masing sebagai "Keuntungan/ (kerugian) dari perubahan nilai wajar instrumen keuangan" dan "Keuntungan/(kerugian) dari penjualan instrumen keuangan".

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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

h. Investment securities (continued)

Investments in sukuk (continued)

The Bank determines the classification of their investment in sukuk based on business model in accordance with SFAS 110 "Accounting for Sukuk" as follows (continued):

- b. Investment securities are measured at fair value through other comprehensive income which is stated at fair value. Unrealised gains or losses due to the increase or decrease in fair value are presented in other comprehensive income for the year.

For investments in sukuk classified as measured at fair value through other comprehensive income, the Bank records investments in sukuk initially at fair value plus or minus transaction costs that are directly attributable to the acquisition of investment in sukuk. 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.

For investments in sukuk classified as measured at fair value through profit and loss, at initial recognition, the Bank records investments in sukuk at fair value and transaction costs are taken directly to the statement of profit or loss. Gains and losses arising from changes in fair value and sales of these financial instruments are included directly in the statement of profit or loss and are reported respectively as "Gain/(loss) from changes in fair value of financial instruments" and "Gain/(loss) from sale of financial instruments".

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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

i. Penjabaran transaksi dan saldo dalam valuta asing (lanjutan)

Kurs valuta asing utama pada tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut:

	<u>31 Desember / December 2023</u>
1 Pound Inggris (GBP)	19.626,56
1 Euro (EUR)	17.038,32
1 Dolar Amerika Serikat (USD)	15.397,00
100 Yen Jepang (JPY)	10.088,00
1 Dolar Singapura (SGD)	11.676,34
1 Dolar Australia (AUD)	10.520,77
1 Dolar Hong Kong (HKD)	1.970,73

j. Transaksi dengan pihak-pihak berelasi

Bank melakukan transaksi dengan pihak berelasi. Sesuai dengan PSAK 7 - 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);

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

**i. Foreign currency transactions and balances
(continued)**

The major rates of foreign exchange used as of 31 December 2023 and 2022 are as follows:

	<u>31 Desember / December 2022</u>		
18.786,09		British Pound (GBP)	1
16.581,72		Euro (EUR)	1
15.567,50		United States Dollar (USD)	1
11.781,00		Japanese Yen (JPY)	100
11.592,88		Singapore Dollar (SGD)	1
10.557,88		Australian Dollar (AUD)	1
1.996,55		Hong Kong Dollar (HKD)	1

j. Transactions with related parties

The Bank has transactions with related parties. In accordance with SFAS 7 - Related Party Disclosure, the meaning of a related party is a person or entity that is related to a reporting entity as follows:

- 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 benefits 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);

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

**j. Transaksi dengan pihak-pihak berelasi
(lanjutan)**

- b. Suatu entitas berelasi dengan entitas pelapor jika memenuhi hal-hal sebagai berikut (lanjutan):
- 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.

k. Pajak penghasilan

Bank menerapkan PSAK No. 46, "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, kecuali jika pajak tersebut terkait dengan transaksi atau kejadian yang diakui di penghasilan komprehensif lain atau langsung diakui ke ekuitas. Dalam hal ini, pajak tersebut masing-masing diakui dalam penghasilan komprehensif lain atau ekuitas.

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 diestimasi akan dibayarkan ke kantor pajak.

Bank menerapkan metode liabilitas (*liability method*) untuk menentukan beban pajak penghasilan. Menurut metode liabilitas, 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 yang akan datang yang belum digunakan apabila besar kemungkinan bahwa manfaat tersebut dapat direalisasikan di masa yang akan datang.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

j. Transactions with related parties (continued)

- b. An entity is related to a reporting entity if any of the following conditions applies (continued):
- 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.

k. Income taxes

The Bank applies SFAS No. 46, "Income Tax", which requires the Bank to account for the current and future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in the statement of financial position and transactions and other events of the current period.

The tax expense comprises of current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the taxes are also recognised in other comprehensive income or directly in equity, respectively.

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.

The Bank applies the liability method to determine income tax expense. Under the 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 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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

k. Pajak penghasilan (lanjutan)

Aset pajak tangguhan diakui apabila terdapat kemungkinan besar bahwa jumlah laba fiskal pada masa yang akan datang akan memadai untuk mengkompensasi aset pajak tangguhan yang muncul akibat perbedaan temporer tersebut.

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.

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 permulaan 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.

Untuk menilai apakah kontrak memberikan hak untuk mengendalikan penggunaan aset identifikasi, Bank harus menilai apakah:

- Bank memiliki hak untuk mendapatkan secara substansial seluruh manfaat ekonomi dari penggunaan aset identifikasi; dan
- Bank memiliki hak untuk mengarahkan penggunaan aset identifikasi. Bank memiliki hak ini ketika Bank memiliki hak untuk pengambilan keputusan yang relevan tentang bagaimana dan untuk tujuan apa aset digunakan telah ditentukan sebelumnya dan:

1. Bank memiliki hak untuk mengoperasikan aset;
2. Bank telah mendesain aset dengan cara menetapkan sebelumnya bagaimana dan untuk tujuan apa aset akan digunakan selama periode penggunaan.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

k. Income taxes (continued)

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.

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.

Amendments to taxation obligations are recorded when an Assessment Letter 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 elements 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.

To assess whether a contract conveys the right to control the use of an identified asset, the Bank shall assess whether:

- *the Bank has the right to obtain substantially all the economic benefit from use of the asset throughout the period of use; and*
- *The Bank has the right to direct the use of the identified asset. The Bank has described when it has a decision-making rights that are the most relevant to changing how and for what purpose the asset is used are predetermined and:*

1. *The Bank has the right to operate the asset;*
2. *The Bank has designed the asset in a way that predetermine how and for what purpose it will be used during the period of use.*

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

I. Sewa (lanjutan)

Bank menyajikan aset hakguna sebagai bagian dari "Aset tetap" dan liabilitas sewa sebagai bagian dari "Liabilitas lain-lain" di dalam laporan posisi keuangan.

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 nilai tercatat untuk merefleksikan bunga atas liabilitas sewa, mengurangi nilai tercatat untuk merefleksikan sewa yang telah dibayar, dan mengukur kembali nilai tercatat untuk merefleksikan penilaian kembali atau modifikasi sewa, atau untuk merefleksikan revisi pembayaran sewa tetap secara substansial.

Aset hakguna pada tanggal pengakuan awal 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.

Modifikasi sewa

Bank mencatat modifikasi sewa sebagai sewa terpisah jika:

- Modifikasi meningkatkan ruang lingkup sewa dengan menambahkan hak untuk menggunakan satu aset pendasar atau lebih;
- Imbalan sewa meningkat sebesar jumlah yang setara dengan harga tersendiri untuk peningkatan dalam ruang lingkup dan penyesuaian yang tepat pada harga tersendiri tersebut untuk merefleksikan kondisi kontrak tertentu.

Setelah tanggal pengakuan awal, aset hakguna diukur pada biaya perolehan dikurangi dengan akumulasi penyusutan dan akumulasi kerugian penurunan nilai.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

I. Leases (continued)

The Bank presents right-of-use assets as part of "Fixed assets" and leases liabilities as part of "Other liabilities" in the statement of financial position.

The Bank sets a maximum lease period as the non-cancellable period together with the exercise of extension options. The Bank would not determine a longer period, because there are no further contractual options to assess against any economic incentives.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The right-of-use asset is initially measured at cost which comprises the initial measurement of the lease liability, plus any lease payment made at or before the commencement date, less any lease incentive received, plus any initial direct costs incurred and any estimated cost of dismantling, removing and restoring the underlying asset or restoring the site where the asset is located.

Lease modification

The Bank accounts for a lease modification as a separate leases if both:

- *The modification increases the scope of the leases by adding the right to use one or more underlying assets;*
- *The consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.*

After initial recognition, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

I. Sewa (lanjutan)

Modifikasi sewa (lanjutan)

Sesuai PSAK 73, Bank telah memilih menggunakan cara praktis untuk tidak memisahkan komponen nonsewa dari komponen sewa, dan memilih mencatat masing-masing komponen sewa dan komponen non sewa 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. Nilai 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.

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
3-10 tahun/years

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

I. Leases (continued)

Lease modification (continued)

In accordance with 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.

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

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

m. Aset tetap (lanjutan)

m.3. Penyusutan (lanjutan)

Metode penyusutan yang digunakan, masa manfaat dan nilai residu dikaji pada setiap akhir tahun buku dan, jika terjadi perubahan yang signifikan dalam ekspektasi pola pemakaian manfaat ekonomi masa depan dari aset tetap tersebut, maka metode penyusutan diubah untuk mencerminkan perubahan pola tersebut.

n. Agunan yang diambil alih

Agunan yang diambil alih 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 nilai 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 nilai tercatat dan nilai wajar setelah dikurangi biaya untuk menjualnya.

Selisih antara nilai tercatat dan hasil penjualan dari agunan yang diambil alih diakui sebagai laba atau rugi dari agunan yang diambil alih pada saat penjualan aset tersebut dalam laba rugi tahun berjalan.

Manajemen mengevaluasi nilai agunan yang diambil alih secara berkala. Cadangan kerugian penurunan nilai agunan yang diambil alih dibentuk atas penurunan nilai agunan yang diambil alih.

Bila terjadi penurunan nilai yang bersifat permanen, maka nilai tercatatnya dikurangi untuk mengakui penurunan tersebut dan kerugiannya dibebankan pada laba rugi.

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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

m. Properties and equipments (continued)

m.3. Depreciation (continued)

The depreciation method applied, useful lives and residual value are reviewed at each financial year-end and, if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the depreciation method is changed to reflect the changed pattern.

n. Foreclosed assets

Foreclosed assets 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 of foreclosed assets is recognised as gain or loss from foreclosed assets at the time of sale in the current year profit or loss.

Management evaluates the value of foreclosed assets periodically. Allowance for impairment losses on foreclosed assets is reserved on reduction of foreclosed assets value.

The carrying amount of foreclosed assets is written down to recognise a permanent decline in the value of the foreclosed assets, which is charged to current operations.

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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(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 ke depan (*ECL 12-bulan*). 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 *ECL 12-bulan* 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 objektif 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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(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 recognised 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.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)

p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)

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

ECL 12-bulan dihitung dengan mengalikan *PD* 12-bulan, *LGD* dan *EAD*. *Lifetime ECL* dihitung menggunakan *PD* sepanjang umur. *PD* 12-bulan dan *PD* sepanjang umur merepresentasikan probabilitas terjadinya gagal bayar dalam 12 bulan ke depan 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)

p. *Identification and measurement of impairment
of financial assets* (continued)

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 ('PD'), a loss given default ('LGD') and the exposure at default ('EAD').

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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

**p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**

Pengukuran ECL (lanjutan)

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 12 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 12 bulan.

**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 didukung, termasuk informasi tentang peristiwa masa lalu, kondisi terkini dan kondisi ekonomi masa depan. Analisis 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*.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

**p. Identification and measurement of impairment
of financial assets (continued)**

Measurement of ECL (continued)

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 12 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.

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*.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

**p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**

Pengukuran ECL (lanjutan)

**Peningkatan risiko kredit yang signifikan
(Stage 2) (lanjutan)**

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 di instrumen keuangan diidentifikasi dengan melihat pada perubahan risiko gagal bayar debitur antara penurunan nilai pada tanggal pelaporan dengan tanggal awal mulai instrumen. Peningkatan risiko kredit diukur dengan membandingkan estimasi RAT FPD (*Residual Term Average - Forward Probability of Default*) pada instrumen 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 (*Credit Risk Rating*) antara tanggal awal dan tanggal pelaporan, untuk melihat apakah perubahannya sudah melebihi ambang batas yang sudah ditentukan.

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*).

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

**p. Identification and measurement of impairment
of financial assets (continued)**

Measurement of ECL (continued)

**Significant increase in credit risk (Stage 2)
(continued)**

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 (*Credit Risk Rating*) changes between origination and reporting data, to see whether the movement already exceed the threshold determined.

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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

**p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**

**Peningkatan risiko kredit yang signifikan
(Stage 2) (lanjutan)**

Wholesale Banking (lanjutan)

Bank menggunakan berbagai pengukuran kualitatif dan kuantitatif dalam menilai SICR seperti berikut (lanjutan):

b. Kriteria kualitatif (lanjutan)

Semua instrumen 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 direstrukturisasi 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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

**p. Identification and measurement of impairment
of financial assets (continued)**

**Significant increase in credit risk (Stage 2)
(continued)**

Wholesale Banking (continued)

The Bank uses a number of qualitative and quantitative measures in assessing SICR as follows (continued):

b. Qualitative criteria (continued)

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 are 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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(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 objektif 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 ekonomi 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 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 nilai tercatat bruto dikurangi penyisihan ECL.

Periode Pengukuran ECL

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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(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 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.

ECL Measurement Period

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.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**
**p. Identifikasi dan pengukuran penurunan nilai
aset keuangan (lanjutan)**
Input ekonomi *forward-looking*

Bank menerapkan beberapa skenario ekonomi global *forward-looking* yang ditentukan dengan referensi kepada distribusi perkiraan eksternal yang merepresentasikan perkiraan kondisi ekonomi. Pendekatan tersebut dinilai memadai untuk menghitung kerugian ekspektasian yang tidak bias di dalam berbagai lingkungan ekonomi. Dalam kondisi ekonomi tertentu, analisis tambahan diperlukan untuk memperoleh skenario-skenario tambahan, untuk mencerminkan berbagai kemungkinan-kemungkinan keluaran ekonomi yang memadai untuk estimasi yang tidak bias.

Akun kredit bermasalah dikelola oleh unit *Special Credit Unit (SCU)*. 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 *SCU* 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, nilai 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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**
**p. Identification and measurement of impairment
of financial assets (continued)**
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.

Credit impaired accounts are managed by the Special Credit Unit (SCU). 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. The cash flows projection realisable collateral, the values used will incorporate the impact of forward looking economic information. The individual circumstances of each debtor are considered when the SCU 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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

q. Identifikasi, pengukuran penurunan nilai dan pengukuran nilai wajar aset non-keuangan

Nilai tercatat aset non-keuangan, selain aset pajak tangguhan, ditelaah untuk mengetahui apakah telah terjadi penurunan nilai bilamana terdapat kejadian atau perubahan keadaan yang mengindikasikan bahwa nilai tercatat aset tersebut tidak dapat terpulihkan. Kerugian akibat penurunan nilai diakui sebesar selisih antara nilai tercatat aset dengan jumlah terpulihkan dari aset tersebut.

Jumlah terpulihkan atas sebuah aset adalah jumlah yang lebih tinggi antara nilai wajar dikurangi biaya pelepasan dengan nilai pakainya. Dalam rangka mengukur penurunan nilai, aset dikelompokkan hingga kelompok aset terkecil teridentifikasi yang menghasilkan arus kas terpisah.

Setiap tanggal pelaporan, aset non-keuangan yang telah mengalami penurunan nilai ditelaah kembali untuk menentukan apakah terdapat kemungkinan pemulihan penurunan nilai. Jika terjadi pemulihan nilai, maka langsung diakui dalam laba rugi, tetapi pemulihan tersebut tidak boleh menyebabkan nilai aset melebihi nilai tercatat neto setelah penyusutan atau amortisasi, seandainya aset tidak mengalami rugi penurunan nilai pada tahun-tahun sebelumnya.

Pengukuran nilai wajar aset non-keuangan memperhitungkan kemampuan pelaku pasar untuk menghasilkan manfaat ekonomis dengan menggunakan aset dalam penggunaan tertinggi dan terbaiknya (*highest and best use*) atau dengan menjualnya kepada pelaku pasar lain yang akan menggunakan aset tersebut dalam penggunaan tertinggi dan terbaiknya.

r. Simpanan dari nasabah dan bank-bank lain

Simpanan dari nasabah terdiri dari giro, tabungan dan deposito berjangka.

Simpanan dari bank-bank lain terdiri dari giro, *call money* dan deposito berjangka.

Simpanan pada awalnya diukur pada nilai wajar dikurangi biaya transaksi (jika ada) yang dapat diatribusikan secara langsung untuk perolehan simpanan, dan setelah pengakuan awal diukur pada biaya perolehan diamortisasi menggunakan metode suku bunga efektif, kecuali jika Bank memilih untuk mencatat liabilitas pada nilai wajar melalui laba rugi.

s. Pinjaman yang diterima dan pinjaman subordinasi

Pinjaman yang diterima dan pinjaman subordinasi merupakan dana yang diterima dari pihak berelasi dengan kewajiban pembayaran kembali sesuai dengan persyaratan perjanjian pinjaman dan pinjaman subordinasi.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

q. Identification, measurement of impairment and fair value of non-financial assets

The carrying amount of the Bank's non-financial assets, other than deferred tax assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the smallest identifiable group of assets that generates separately identifiable cash flows.

At each reporting date, non-financial assets that suffered impairment are reassessed for possible reversal of the impairment. If there is a reversal of impairment, it shall be recognised immediately to profit or loss, however the reversal amount shall not cause the carrying amount of an asset exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

r. Deposits from customers and other banks

Deposits from customers consist of demand deposits, saving accounts and time deposits.

Deposits from other banks consist of demand deposits, call money and time deposits.

Deposits are initially measured at fair value less directly attributable transaction costs (if any), and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

s. Borrowings and subordinated debts

Borrowings and subordinated debts are funds received from a related party with payment obligation based on the borrowing and subordinated debts agreements.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

s. Pinjaman yang diterima dan pinjaman subordinasi (lanjutan)

Pinjaman yang diterima dan pinjaman subordinasi pada awalnya diukur pada nilai wajar dikurangi biaya transaksi yang dapat diatribusikan secara langsung untuk perolehan pinjaman, dan setelah pengakuan awal diukur pada biaya perolehan diamortisasi menggunakan metode suku bunga efektif.

t. Imbalan kerja

t.1. Liabilitas imbalan kerja jangka pendek

Liabilitas imbalan kerja jangka pendek merupakan bonus karyawan yang akan diselesaikan dalam jangka waktu satu tahun.

Liabilitas imbalan kerja jangka pendek diukur berdasarkan jumlah tidak terdiskonto dan dibebankan pada saat jasa tersebut diberikan.

Liabilitas diakui untuk jumlah yang akan dibayar sebagai bonus jangka pendek jika Bank memiliki kewajiban hukum atau kewajiban konstruktif atas pembayaran beban tersebut sebagai akibat dari jasa masa lalu yang diberikan oleh pekerja dan kewajiban tersebut dapat diestimasi secara handal.

t.2. Liabilitas pembayaran berbasis saham

Karyawan tertentu berhak atas instrumen ekuitas dari HSBC Holdings plc, pemegang saham pengendali, melalui program imbalan kerja berbasis saham. Transaksi ini diperlakukan sebagai transaksi yang diselesaikan dengan instrumen ekuitas karena HSBC Holdings plc adalah pihak yang memberikan instrumen ekuitasnya sendiri untuk semua program imbalan kerja berbasis saham dalam grup.

Biaya atas program pembayaran berbasis saham diukur dengan mengacu pada nilai wajar instrumen ekuitas pada tanggal pemberian. Dikarenakan adanya pengaturan pembebanan kembali antara Bank dan HSBC Holdings plc, liabilitas atas transaksi pembayaran berbasis saham diakui pada saat kewajiban untuk melakukan pembayaran disepakati secara kontraktual.

Liabilitas diukur berdasarkan pengaturan pembayaran berbasis saham. Perubahan atas nilai wajar dari liabilitas setelah pengakuan awal hingga penyelesaian diakui sebagai perubahan kontribusi modal (dicatat sebagai bagian dari tambahan modal disetor).

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

**s. Borrowings and subordinated debts
(continued)**

Borrowings and subordinated debts are initially measured at fair value less directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

t. Employee benefits

t.1. Short-term employee benefits obligation

Short-term employee benefits obligation represents employees bonus which will be paid within one year.

Short-term employee benefits 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 changes in capital contribution (which is recorded as part of additional paid-in capital).

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

t. Imbalan kerja (lanjutan)

**t.2. Liabilitas pembayaran berbasis saham
(lanjutan)**

Nilai wajar ditetapkan dengan menggunakan harga pasar atau teknik penilaian, dengan mempertimbangkan syarat dan ketentuan pemberian instrumen ekuitas. Kondisi kinerja pasar dipertimbangkan dalam menaksir nilai wajar instrumen ekuitas pada tanggal pemberian, sehingga pemberian tersebut dianggap telah memenuhi kondisi *vesting* tanpa memperhatikan apakah kondisi kinerja pasar tersebut terpenuhi, selama kondisi lainnya terpenuhi.

Kondisi *vesting*, selain dari kondisi kinerja pasar, tidak dipertimbangkan dalam penaksiran awal nilai wajar pada tanggal pemberian. Kondisi tersebut dipertimbangkan dengan menyesuaikan jumlah instrumen ekuitas yang diperhitungkan dalam pengukuran transaksi, sehingga nilai yang diakui untuk jasa yang diterima sebagai imbalan atas instrumen ekuitas yang diberikan didasarkan pada jumlah instrumen ekuitas yang akhirnya menjadi *vesting*. Secara kumulatif, tidak ada beban yang diakui untuk instrumen ekuitas yang tidak *vesting* karena kegagalan dalam memenuhi kondisi kinerja non-pasar atau kondisi pemberian jasa.

Ketika syarat dan ketentuan pemberian instrumen ekuitas dimodifikasi, sekurang-kurangnya, beban dari pemberian awal tetap diakui seolah-olah syarat dan ketentuan tidak dimodifikasi. Jika dampak modifikasi mengakibatkan kenaikan nilai wajar dari instrumen ekuitas yang diberikan atau kenaikan jumlah instrumen ekuitas, kenaikan nilai wajar dari instrumen yang diberikan atau kenaikan nilai wajar dari ekuitas tambahan tersebut diakui sebagai tambahan atas beban pemberian awal yang diukur pada tanggal modifikasi untuk periode *vesting* yang dimodifikasi.

t.3. Liabilitas imbalan pasca-kerja

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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

t. Employee benefits (continued)

**t.2. Share-based payment liabilities
(continued)**

Fair value is determined by using market prices or appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. Market performance conditions are taken into account when estimating the fair value of equity instruments at the grant date, so that an award is treated as vested irrespective of whether the market performance condition is satisfied since all other conditions are satisfied.

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the granted 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.

When the terms and conditions of granting equity instruments are modified, 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

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. Contributions are recognised as personnel expenses when they are due. The Bank has no further obligations once the contributions have been paid.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

t. Imbalan kerja (lanjutan)

t.3. Liabilitas imbalan pasca-kerja (lanjutan)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

t. Employee benefits (continued)

**t.3. Post-employment benefits obligation
(continued)**

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 plan 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 benefits from the pension plan 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 benefits plan is a pension plan program where the pension amount to be received by employees at the time of retirement will depend on one or more factors such as age, years of service and compensation.

The post-employment benefits liability recognised in the statement of financial position in respect of a defined pension benefits plan is the present value of the defined benefits obligation at the statement of financial position date adjusted for unrecognised actuarial gain 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 benefits obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (considering currently there is no active 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 benefits obligation and the fair value of plan assets. This cost is included in employee benefits expenses in the statement of profit or loss.

Remeasurement arising from changes in actuarial assumptions are charged or credited to equity in other comprehensive income and presented as part of other comprehensive income in equity.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)**

t. Imbalan kerja (lanjutan)

t.3. Liabilitas imbalan pasca-kerja (lanjutan)

Perubahan nilai kini atas kewajiban imbalan pasti yang timbul dari amendemen 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.

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 memberikan ekspektasi yang sah kepada pihak-pihak yang terkena dampak restrukturisasi bahwa Bank akan melaksanakan restrukturisasi dengan memulai implementasi rencana tersebut atau mengumumkan pokok-pokok rencana.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

t. Employee benefits (continued)

**t.3. Post-employment benefits obligation
(continued)**

Changes in the present value of defined benefits 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 an offer of voluntary redundancy with termination benefits. The Bank recognises termination benefits at the earlier of: i) when the Bank can no longer withdraw the offer of the termination benefits and ii) when the Bank recognises costs for restructuring within the scope of SFAS 57 and involves payment of termination benefits.

When Bank provides termination benefits as an offer for voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. Benefits due for more than 12 months after the reporting period are discounted to their present value.

u. Accruals and provisions

Accruals and provisions consist of accrued operating 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.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)****u. Beban akrual dan provisi (lanjutan)**

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 berlalunya 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.

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.

Suku bunga efektif adalah suku bunga yang secara tepat mendiskontokan estimasi pembayaran dan penerimaan kas di masa yang akan datang selama perkiraan umur dari aset keuangan atau liabilitas keuangan (atau, jika lebih tepat, digunakan periode yang lebih singkat) untuk memperoleh nilai tercatat dari aset keuangan atau liabilitas keuangan. Pada saat menghitung suku bunga efektif, Bank mengestimasi arus kas di masa yang akan datang dengan mempertimbangkan seluruh persyaratan kontraktual dalam instrumen keuangan tersebut, tetapi tidak mempertimbangkan kerugian kredit di masa mendatang.

Perhitungan suku bunga efektif mencakup seluruh imbalan/provisi dan bentuk lain yang dibayarkan atau diterima yang merupakan bagian tak terpisahkan dari suku bunga efektif. Biaya transaksi meliputi biaya tambahan yang dapat diatribusikan secara langsung untuk perolehan aset keuangan atau penerbitan liabilitas keuangan.

Pendapatan dan beban bunga yang disajikan di dalam laporan laba rugi meliputi bunga atas aset keuangan dan liabilitas keuangan yang dicatat pada biaya perolehan diamortisasi dan bunga atas efek-efek untuk tujuan investasi yang dihitung menggunakan suku bunga efektif.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)****u. Accruals and provisions (continued)**

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.

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.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees and provisions paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset or issuance of a financial liabilities.

Interest income and expenses presented in the statement of profit or loss include interest on financial assets and liabilities at amortised cost and interest on investment securities calculated on an effective interest method.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)****x. Pendapatan dan beban bunga (lanjutan)**

Pendapatan bunga atas aset keuangan yang diukur dengan nilai wajar melalui penghasilan komprehensif lain atau biaya diamortisasi yang mengalami penurunan nilai setelah pengakuan awal (*stage 3*) diakui berdasarkan suku bunga efektif kredit yang disesuaikan. Tingkat bunga ini dihitung dengan cara yang sama dalam perhitungan suku bunga efektif kecuali bahwa cadangan kerugian kredit ekspektasian dimasukkan dalam arus kas ekspektasian. Oleh karenanya, pendapatan bunga diakui atas aset keuangan dalam klasifikasi biaya perolehan diamortisasi dihitung berdasarkan nilai bersih setelah dikurangi kerugian kredit ekspektasian. Dalam kondisi risiko kredit atas aset keuangan *stage 3* mengalami perbaikan sehingga aset keuangan tidak lagi dipertimbangkan mengalami penurunan nilai, pengakuan pendapatan bunga dihitung berdasarkan nilai tercatat bruto aset keuangan.

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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)****x. Interest income and expenses (continued)**

Interest income for financial assets that are either held at fair value through other comprehensive income or amortised cost that have become credit impaired subsequent to initial recognition (*stage 3*) is recognised using the credit adjusted effective interest rate. This rate is calculated in the same manner as the effective interest rate except that expected credit losses are included in the expected cash flows. Therefore, interest income on financial assets measured at amortised cost is recognised based on the net amount after deducting with the expected credit losses. When the credit risk on a *stage 3* financial asset improve such that the financial asset is no longer considered credit impaired, interest income recognition reverts to a computation based on the rehabilitated the carrying value of the gross financial asset.

y. Fees and commissions income and expenses

Significant fees and commissions income and expenses that are integral to the effective interest rate on a financial assets or financial liabilities are included in the measurement of the effective interest rate.

Other fees and commissions 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 commissions expenses which are mainly related to inter-bank transaction fees are expensed when 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.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**3. INFORMASI KEBIJAKAN AKUNTANSI MATERIAL
(lanjutan)****aa. Dividen**

Pembagian dividen diakui sebagai liabilitas ketika dividen tersebut dideklarasikan dan disetujui oleh Rapat Umum Pemegang Saham. Pembagian dividen interim diakui sebagai liabilitas ketika dividen disetujui berdasarkan keputusan rapat Direksi sesuai dengan Anggaran Dasar Perseroan.

4. MANAJEMEN RISIKO KEUANGAN**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.

Kerangka manajemen risiko

Direksi memiliki tanggung jawab penuh atas penetapan dan pengawasan kerangka manajemen risiko Bank untuk memastikan bahwa risiko Bank telah dikelola dengan tepat.

Direksi telah membentuk:

- *Assets and Liabilities Committee (ALCO)*;
- Komite Manajemen Risiko (*RMC*);
- Komite Manajemen Risiko Terintegrasi (*IRMC*).

Sementara Dewan Komisaris telah membentuk:

- Komite Audit;
- Komite Pemantau Risiko;

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 disusun untuk mengidentifikasi dan menganalisis 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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICY INFORMATION
(continued)****aa. Dividend**

Dividend distributions are recognised as a liability when the dividends are declared and approved in the General Meeting of the Shareholders. Interim dividend distributions are recognised as a liability when the dividends are approved based on a Board of Directors' resolution in accordance with the Bank's Articles of Association.

4. FINANCIAL 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 regarding the Bank's exposure to each of the risks outlined as above, the objectives and policies implemented by the Bank in measuring and managing risk.

Risk management framework

The Board of Directors has full responsibility for establishing and overseeing the Bank's risk management framework to ensure that the Bank's risks are managed appropriately.

The Board of Directors has established:

- *Assets and Liabilities Committee (ALCO)*;
- *Risk Management Committee (RMC)*;
- *Integrated Risk Management Committee (IRMC).*

While The Board of Commissioners has established:

- *Audit Committee;*
- *Risk Oversight Committee;*

In addition, the Bank has also established Risk Management Working Unit which is responsible for developing and monitoring the Bank's risk management policies in their respective areas.

The Bank's risk management policies are designed to identify and analyse the risks faced by the Bank, to determine appropriate risk limits and controls, and to monitor risks and adherence to limits set. Risk management policies and systems are reviewed periodically to reflect changes in market conditions, products and services offered.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)**a. Pendahuluan dan gambaran umum (lanjutan)****Kerangka manajemen risiko (lanjutan)**

Bank melalui berbagai pelatihan serta standar dan prosedur pengelolaan, berusaha untuk mengembangkan lingkungan pengendalian yang teratur dan konstruktif, dimana seluruh karyawan memahami secara penuh peran dan tanggung jawab mereka.

Sesuai dengan Peraturan OJK mengenai Implementasi *Good Corporate Governance* bagi Bank Umum, Komite Audit memiliki tanggung jawab paling sedikit:

- (i) Melakukan pemantauan dan evaluasi atas perencanaan dan pelaksanaan audit serta pemantauan atas tindak lanjut hasil audit dalam rangka menilai kecukupan pengendalian intern, 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. 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 berperan dan melaksanakan tugas serta tanggung jawab sesuai dengan Peraturan OJK mengenai penggunaan jasa akuntan publik dan kantor akuntan publik dalam kegiatan jasa keuangan.

Komite Pemantau Risiko memiliki tanggung jawab utama antara lain adalah:

- (i) Melakukan evaluasi tentang kesesuaian antara kebijakan manajemen risiko dengan pelaksanaannya.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)**a. Introduction and overview (continued)****Risk management framework (continued)**

The Bank, through various training and management standards and procedures, strives to develop a disciplined and constructive control environment, where all employees fully understand their roles and obligations.

In accordance to OJK regulation regarding the Implementation of Good Corporate Governance for Commercial Bank, the Audit Committee has at least following main responsibilities:

- (i) to perform monitoring and evaluation of audit planning and implementation as well as monitoring follow-up to audit results in order to assess the adequacy of internal controls, including adequacy of financial reporting process;
- (ii) In order to carry out the duties as intended above, the Audit Committee is obliged to perform monitoring and evaluation of at least:
 - a. Implementation of the duties of the Internal Audit working unit.
 - b. Conformity of audit implementation by public accounting firm according to applicable audit standards.
 - c. Conformity of financial reports with the applicable financial accounting standards. Carrying out follow-up actions by the Board of Directors on the finding results by Internal Audit working unit, public accountant, and the results of OJK supervision, and/ or the supervision results by other authorities and other institutions; to provide recommendation to the Board of Commissioners;
- (iii) Audit Committee plays a role and carries out duties and responsibilities in accordance with OJK regulation regarding the use of public accountant services and public accounting firms in financial services activities.

The Risk Oversight Committee has main responsibilities including:

- (i) Performing evaluation on the alignment of risk management policies with its implementation.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)**a. Pendahuluan dan gambaran umum (lanjutan)****Kerangka manajemen risiko (lanjutan)**

Komite Pemantau Risiko memiliki tanggung jawab utama antara lain adalah (lanjutan):

- (ii) Melakukan 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 dan Risk Tolerance*;
 - c. *Stress Testing*;
 - d. Kerangka *Enterprise Risk Management* dan Sistem Pengendalian Intern;
 - e. Pemantauan efektivitas 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:

- (i) Mengelola neraca dengan tujuan untuk mencapai alokasi yang efisien dan pemanfaatan semua sumber daya, meningkatkan keuntungan ekonomi dengan meningkatkan laba bersih dan mempromosikan efisiensi dalam penggunaan modal dan pendanaan dengan meningkatkan laba atas aset berisiko dalam konteks kebijakan pertumbuhan yang jelas dan meninjau semua risiko dan memastikan manajemen yang berdasarkan prinsip kehati-hatian untuk memasukkan risiko struktural suku bunga, risiko nilai tukar struktural, risiko likuiditas dan risiko pendanaan;
- (ii) Memberikan arahan dan memastikan tindak lanjut taktis untuk menciptakan struktur neraca yang berubah untuk mencapai target kinerja di dalam parameter risiko yang ditentukan;
- (iii) Memonitor lingkungan eksternal dan mengukur dampak pada profitabilitas masa depan, strategi dan faktor-faktor neraca seperti: volatilitas suku bunga, likuiditas pasar, volatilitas nilai tukar, kebijakan moneter dan fiskal, perilaku nasabah dan tindakan Bank pesaing, dan dampak dari perubahan akuntansi dan peraturan;
- (iv) Memahami interaksi antara lini bisnis yang berbeda-beda dan portofolio dalam posisi keuangan dan isu-isu yang mempengaruhi seperti *transfer pricing*, pola perilaku dan alokasi sumber daya;

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)**a. Introduction and overview (continued)****Risk management framework (continued)**

The Risk Oversight Committee has main responsibilities including (continued):

- (ii) Monitoring and evaluating the implementation of the duties of the risk management committee and risk management working unit in order to provide recommendations to the Board of Commissioners in terms of:
 - a. Risk-related matters;
 - b. Risk Appetite and Risk Tolerance;
 - c. Stress Testing;
 - d. Enterprise Risk Management Framework and Internal Control System;
 - e. Monitoring the effectiveness of Risk Management Director and the Risk Management Function;
 - f. Internal Audit;
 - g. External Audit;
 - h. Annual Report.

The ALCO is the primary vehicle to achieve the objectives of managing assets, liabilities and capital by taking into account consideration of related risks for the purpose of efficient and optimum utilisation. The main purposes of the ALCO are to:

- (i) Manage the balance sheet with the aim of 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 increasing returns on risk assets in the context of a clear defined growth policy and reviewing all risks and ensuring prudent management to include structural interest rate risk, structural foreign exchange risk, liquidity risk and funding risk;
- (ii) Provides direction and ensures tactical follow-through to create an evolving balance sheet structure to achieve performance objectives within defined risk parameters;
- (iii) Monitor the external environment and measure the impact on future profitability, strategy and the balance sheet factors such as: interest rate volatility, market liquidity, exchange rate volatility, monetary and fiscal policies, customer behaviour and competitor Bank actions, and impact from accounting and regulatory changes;
- (iv) Understand the interaction between different lines of business and portfolios in the financial positions and affecting issues such as transfer pricing, behavioral pattern and resources allocation;

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

4. MANAJEMEN RISIKO KEUANGAN (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):

- (v) Menyediakan sebuah forum untuk membahas isu-isu ALCO dan memfasilitasi kerja sama antara bisnis/departemen yang berbeda-beda untuk menyelesaikan masalah antar departemen seperti *transfer pricing*;
- (vi) Meninjau keseluruhan sumber dan alokasi dana;
- (vii) Melihat ke depan dan menentukan lingkungan perbankan yang paling memungkinkan untuk perencanaan aset/liabilitas dan tinjauan skenario kontinjensi; dan
- (viii) Mengevaluasi alternatif suku bunga, harga dan skenario kombinasi portofolio, meninjau distribusi aset/liabilitas dan jatuh tempo dan rasionalisasi Bank.

Komite Manajemen Risiko dibentuk dengan tanggung jawab mencakup, di antaranya adalah:

- (i) Untuk mendapatkan informasi dan mempertimbangkan laporan terkait manajemen risiko, yang mencakup isu utama dan 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 yang terdeviasi dari prosedur normal;
- (iii) Untuk mempertimbangkan laporan-laporan yang relevan dan informasi terkini terkait isu dan risiko utama Bank juga di seluruh tiga lini pertahanan, memberikan kewenangan untuk kajian lanjutan jika dibutuhkan;
- (iv) Memastikan bahwa praktik manajemen risiko telah mendukung perilaku yang diinginkan dan budaya sebagai hasilnya.

Satuan Kerja Manajemen Risiko Bank bertanggung jawab dalam penerapan manajemen risiko yang mencakup:

- (i) Melakukan pemantauan terhadap penerapan strategi manajemen risiko yang diputuskan dalam rapat Komite Manajemen Risiko atau yang telah disetujui Direksi;
- (ii) Melakukan pemantauan posisi/ eksposur risiko secara keseluruhan;
- (iii) Melakukan kaji ulang secara berkala terhadap proses manajemen risiko;
- (iv) Menerapkan *stress testing* guna mengetahui dampak dari implementasi kebijakan dan strategi manajemen risiko;

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)**a. Introduction and overview (continued)****Risk management framework (continued)**

The ALCO is the primary vehicle to achieve the objectives of managing assets, liabilities and capital by taking into account consideration of related risks for the purpose of efficient and optimum utilisation. The main purposes of the ALCO are to (continued):

- (v) Provide a forum to discuss ALCO issues and facilitate collaboration between different business/departments to resolve inter-departmental issues such as *transfer pricing*;
- (vi) Review overall sourcing and allocation of funding;
- (vii) To be forward looking and determining the most feasible banking environment for asset/ liability forward planning and contingency scenarios review; and
- (viii) To evaluate alternative interest rate, pricing and portfolio mix scenario; review asset/ liability distributions and maturities and Bank's rationalization.

The Risk Management Committee is established with the following responsibilities including:

- (i) To be informed and consider the risk management reports, which includes enterprise-wide key issues and 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 information updates pertaining to the key risks and issues across the Bank and across all the three lines of defense, commissioning further review where required;
- (iv) To ensure that risk management practices support desired conduct and culture outcomes.

The Bank's Risk Management Working Unit is responsible for risk management implementation which comprises:

- (i) Monitor the implementation of risk management strategy as approved by the Risk Management Committee or the Board of Directors;
- (ii) Monitor overall risk positions/ exposures;
- (iii) Conduct periodic review of the risk management process;
- (iv) Implement stress testing to determine the impact of the implementation of risk management policy and strategy;

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)
a. Pendahuluan dan gambaran umum (lanjutan)
Kerangka manajemen risiko (lanjutan)

Satuan Kerja Manajemen Risiko Bank bertanggung jawab dalam penerapan manajemen risiko yang mencakup (lanjutan):

- (v) Melakukan kaji ulang terhadap usulan aktivitas baru dan/ atau produk baru yang diajukan atau dikembangkan oleh unit tertentu;
- (vi) Memberikan rekomendasi mengenai besaran atau maksimum eksposur risiko yang wajib dipelihara kepada Komite Manajemen Risiko;
- (vii) Melakukan evaluasi terhadap akurasi dan validitas data yang digunakan untuk keperluan pengukuran risiko; dan
- (viii) Penyusunan dan penyampaian laporan profil risiko kepada Direktur Manajemen Risiko dan Komite Manajemen Risiko.

b. Risiko kredit

Risiko kredit adalah risiko kerugian keuangan yang timbul jika nasabah, klien atau rekanan Bank gagal memenuhi kewajiban kontraktualnya kepada Bank. Risiko kredit Bank terutama berasal dari kredit yang diberikan kepada nasabah.

Manajemen risiko yang telah diterapkan oleh Bank adalah sebagai berikut:

- Menetapkan kebijakan mengenai kewenangan persetujuan kredit.
- Menerbitkan laporan pengendalian risiko, yang memungkinkan Bank untuk mengidentifikasi dan mengambil langkah awal atas timbulnya tanda peringatan awal.
- Melaksanakan fungsi pengawasan oleh 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 *behavioral life*, yang menggabungkan ekspektasi perilaku nasabah dan/atau sejauh mana tindakan manajemen risiko kredit membatasi periode paparan tersebut. Pada umumnya, umur aset keuangan produk *revolving* tergantung pada jenis produk.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)
a. Introduction and overview (continued)
Risk management framework (continued)

The Bank's Risk Management Working Unit is responsible for risk management implementation which comprises (continued):

- (v) Reviewing proposed new activities and/ or products which submitted or developed by a particular unit;
- (vi) Provide recommendation on the extent or maximum of risk exposure which shall be maintained to the Risk Management Committee;
- (vii) Evaluate the accuracy and validity of data used for risk measurement; and
- (viii) Preparation and submission a risk profile report to the Risk Management Director and the Risk Management Committee.

b. Credit risk

Credit risk is the risk of financial loss that arises if Bank's customers, clients or counterparties fail to fulfill their contractual obligations to the Bank. The Bank's credit risk mainly comes from loans to customers.

The risk management implemented by the Bank are as follows:

- Establishing policies on credit approval authority.
- Issuing risk control reports which allow the Bank to identify and take early action(s) on potential early warning signs.
- Carrying out oversight function by the Board of Directors and Board of Commissioners through regular risk meetings.
- The credit approval function acts independently from business in conducting review and making decision.
- Establishment of a unit to conduct 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 in 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 adhere 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 behavioral life, which incorporates expectations of customer behavior and/or the extent to which credit risk management actions curtails the period of that exposure. In general, revolving products lifetime depend on the type of product.

CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)**b. Risiko kredit (lanjutan)****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.

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. Di antaranya 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 4 skenario MEV, yaitu *upside*, *central*, *downside* dan *severe downside*. Namun demikian, skenario ekonomi dapat disesuaikan apabila terdapat kondisi yang mempengaruhi kondisi ekonomi secara signifikan. Penggunaan skenario *severe downside* dianggap masih relevan karena pertimbangan skenario resesi global yang mendalam, eskalasi ketegangan geopolitik, dimana pertempuran di Timur Tengah melebar, pemburuan perang Rusia-Ukraina dan ketidaksetujuan antara Tiongkok dan Amerika Serikat yang berujung pada degradasi rantai pasok secara signifikan. Kejutan pasokan atas energi, makanan dan manufaktur akan mendorong inflasi naik, sehingga menyebabkan tekanan akut terhadap pendapatan riil yang dapat dibelanjakan, pengetatan atas kebijakan moneter dan keadaan keuangan, serta kenaikan tajam tingkat pengangguran.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)**b. Credit risk (continued)****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 due date fall. 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, the Bank should raise more provisions today in order to absorb the credit losses that likely to occur in the near future.

To capture the effects of changes to the economic environment, the 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 impact 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 of those are Gross Domestic Product ("GDP") growth, unemployment rate, wage growth, house price index, private consumptions levels, fixed investment, stock market index, and exports.

The Bank uses regression modeling method to forecast the relationship between MEV and the NPL in the future. The Bank uses 4 MEV scenarios, i.e. *upside*, *central*, *downside* and *severe downside*. However, the economic scenario can be adjusted if there are conditions that significantly impacting the economic situation. The use of severe downside scenario is deemed relevant considering a deep global recession scenario, escalation of geopolitical tensions, where hostilities in the Middle East widen, worsening of Russia - Ukraine war and disagreements between the US and China which lead to significant supply chain degradation. An energy, food and manufacturing supply shock drives inflation upwards, causing an acute squeeze on real disposable income, tightening of monetary policy and financial conditions, and a sharp rise in the unemployment rate.

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.

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

Dalam menentukan kerugian kredit ekspektasian, Bank telah menggunakan MEV yang terkini, termasuk mempertimbangkan ketidakpastian dari keadaan ekonomi global dan berbagai informasi yang relevan termasuk arahan regulator.

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 bersih setelah cadangan kerugian penurunan nilai dan rekening administratif bersih, tanpa memperhitungkan agunan yang dimiliki atau peningkatan kualitas kredit lainnya.

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

In determining the expected credit loss, the Bank has implemented the updated MEV, including considering the uncertainties from global economic conditions and various relevant information including direction from the regulator.

i. Maximum exposure to credit risk

For financial assets recognised in the financial statement position, the maximum exposure to credit risk equals to 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 net after allowance for impairment losses and off-balance sheet net accounts, without taking into account any collateral held or other credit quality improvements.

	<u>31 Desember / December 2023</u>	<u>31 Desember / December 2022</u>	
Laporan posisi keuangan:			Statement of financial position:
Giro pada			Demand deposits with
Bank Indonesia	12.295.641	11.941.577	Bank Indonesia
Giro pada bank-			Demand deposits with
bank lain - bersih	3.634.373	4.349.740	other banks - net
Penempatan pada			Placements with
Bank Indonesia	12.270.854	18.682.178	Bank Indonesia
Penempatan pada bank-			Placements with
bank lain - bersih	117.708	225.358	other banks - net
Efek-efek untuk tujuan			Investment
investasi	19.156.076	13.308.441	securities
Aset keuangan dalam			Financial assets
kelompok diperdagangkan	1.804.596	1.248.435	held for trading
Tagihan derivatif	262.776	324.246	Derivative receivables
Efek-efek yang dibeli			Securities purchased
dengan janji dijual kembali	11.635.006	14.037.231	with agreement to resell
Wesel ekspor - bersih	5.361.240	2.063.474	Export bills - net
Tagihan akseptasi - bersih	1.538.130	2.061.662	Acceptance receivables - net
Kredit yang diberikan			
kepada nasabah - bersih	52.258.903	53.534.125	Loans to customers - net
Aset lain-lain	1.168.795	707.738	Other assets
Subjumlah	<u>121.504.098</u>	<u>122.484.205</u>	Subtotal
Rekening administratif			Off-balance sheet
dengan risiko kredit:			accounts with credit risk:
L/C yang tidak dapat dibatalkan	1.410.985	2.915.348	Irrevocable L/C
Fasilitas kredit yang belum			Unused credit
digunakan - <i>committed</i>	8.091.308	9.229.502	facilities - committed
Bank garansi yang diterbitkan	<u>8.759.112</u>	<u>9.925.594</u>	Bank guarantees issued
Subjumlah	<u>18.261.405</u>	<u>22.070.444</u>	Subtotal
Jumlah	<u>139.765.503</u>	<u>144.554.649</u>	Total

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

- ii. Pembagian aset keuangan berdasarkan kualitas kredit

Lima klasifikasi kualitas kredit yang dinyatakan dibawah ini adalah mengacu pada ketentuan POJK No. 40/POJK/2019 Tentang Penilaian Kualitas Aset Bank umum.

Klasifikasi kualitas/ <i>Quality classification</i>	Kualitas Kredit/ <i>BI Rating</i>	Lama Tunggakan/ <i>Pass Due</i>
Lancar/ <i>Strong</i>	BI Rating 1	0
Dalam Perhatian Khusus / <i>With special attention</i>	BI Rating 2	1 – 90 Days/Hari
Kurang Lancar/ <i>Sub-standard</i>	BI Rating 3	> 90 - 120 Days/Hari
Diragukan/ <i>Doubtful</i>	BI Rating 4	> 120 - 180 Days/Hari
Macet/ <i>Default</i>	BI Rating 5	> 180 Days/Hari

Definisi dari kualitas kredit Bank berdasarkan ketentuan POJK adalah sebagai berikut:

- Lancar: Debitur melakukan pembayaran secara tepat waktu, perkembangan rekening baik, dan tidak ada tunggakan serta sesuai dengan persyaratan kredit.
- Dalam perhatian khusus: Terdapat tunggakan pembayaran pokok dan/atau bunga sampai dengan 90 (sembilan puluh hari); dan/atau jarang mengalami cerukan.
- Kurang lancar: Terdapat tunggakan pembayaran pokok dan/atau bunga yang telah melampaui 90 (sembilan puluh) hari sampai dengan 120 (seratus dua puluh) hari; dan/atau terdapat cerukan yang berulang kali untuk menutupi kerugian operasional dan kekurangan kas.
- Diragukan: Terdapat tunggakan pembayaran pokok dan/atau bunga yang telah melampaui 120 (seratus dua puluh) hari sampai dengan 180 (seratus delapan puluh) hari; dan/atau terjadi cerukan yang bersifat permanen untuk menutupi kerugian operasional dan kekurangan arus kas.
- Macet: Terdapat tunggakan pokok dan/atau bunga yang telah melampaui 180 (seratus delapan puluh) hari.

Untuk kebijakan akuntansi tentang penurunan nilai aset keuangan, lihat Catatan 3p.

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

- ii. Distribution of financial assets by their credit quality

The five credit quality classification define below refer to the POJK regulation No.40/POJK/2019 regarding to Assessment of Commercial Bank Asset Quality:

The Bank's credit quality definitions based on POJK regulation are as follows:

- *Strong*: Debtors make the payment in a timely manner, account development is good, and there are no pass due and in accordance with credit terms.
- *With special attention*: There are pass due in payment principal and/or interest for up to 90 (ninety) days to; and or rarely have overdrafts.
- *Sub-standard*: There are pass due in payment principal and/or interest that have exceed 90 (ninety) days up to 120 (one hundred and twenty) days; and/or there are repeated overdrafts to cover operational losses and cash shortages.
- *Doubtful*: There are pass due in payment of principal and/or interest that have exceed 120 (one hundred and twenty) days; up to 180 (one hundred and eighty) days; and/or there's permanent overdraft to cover operational losses and cash flow shortfalls.
- *Default*: There are pass due of principal and/or interest that have exceed 180 (one hundred and eighty) days.

For details of our impairment policies on financial assets, see Note 3p.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023
(Expressed in millions of Rupiah, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)

ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

Pembagian aset keuangan berdasarkan kualitas kreditnya pada tanggal 31 Desember 2023 disajikan di bawah ini:

Distribution of financial assets by staging based on credit quality as of 31 December 2023 is summarised as below:

2023													
	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/ securities	Aset keuangan dalam kelompok kan/ 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/ Other assets	Jumlah/ Total	
Aset pada biaya perolehan diamortisasi	Lancar	12.295.641	3.639.891	12.270.854	117.759	4.241.714	-	11.635.006	5.361.522	1.522.514	51.094.402	1.168.795	103.348.098
	Dalam perhatian khusus	-	-	-	-	-	-	-	225	19.303	1.428.040	-	1.445.568
	Kurang lancar	-	-	-	-	-	-	-	-	-	1.018.864	-	1.018.864
	Diragukan	-	-	-	-	-	-	-	-	-	45.024	-	45.024
	Macet	-	-	-	-	-	-	-	-	-	872.168	-	872.168
	12.295.641	3.639.891	12.270.854	117.759	4.241.714	-	-	11.635.006	5.361.747	1.541.817	54.456.498	1.168.795	106.729.722
Dikurangi: cadangan kerugian Penurunan nilai	-	(5.518)	-	(51)	-	-	-	-	(507)	(3.687)	(2.197.595)	-	(2.207.358)
	12.295.641	3.634.373	12.270.854	117.708	4.241.714	-	-	11.635.006	5.361.240	1.538.130	52.258.903	1.168.795	104.522.364
Aset pada nilai wajar	Lancar	-	-	-	-	14.914.362	1.804.596	-	-	-	-	-	16.981.690
	Dalam perhatian khusus	-	-	-	-	-	262.732	-	-	-	-	-	44
	Kurang lancar	-	-	-	-	-	44	-	-	-	-	-	-
	Diragukan	-	-	-	-	-	-	-	-	-	-	-	-
	Macet	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	14.914.362	1.804.596	262.776	-	-	-	-	-	16.981.734
Jumlah Aset Keuangan	12.295.641	3.634.373	12.270.854	117.708	19.156.076	1.804.596	262.776	11.635.006	5.361.240	1.538.130	52.258.903	1.168.795	121.504.098
Total Financial Assets													

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

b. Risiko kredit (lanjutan)

b. Credit risk (continued)

ii. Pembagian aset keuangan berdasarkan kualitas kredit (lanjutan)

ii. Distribution of financial assets by credit quality (continued)

Pembagian aset keuangan berdasarkan kualitas kreditnya pada tanggal 31 Desember 2022 disajikan di bawah ini:

Distribution of financial assets by staging based on credit quality as of 31 December 2022 is summarised as below:

	2022											
	Giro pada bank-bank Indonesia/ Demand deposits with Bank Indonesia	Giro pada bank-bank lain/ Demand deposits with other banks	Penempatan pada Bank Indonesia/ Placements with Bank Indonesia	Penempatan pada bank-bank lain/ Placements with other banks	Efek-efek untuk tujuan investasi/ Investment securities	Aset keuangan dalam kelompok diperdagangkan/ Financial assets held for trading	Tagihan derivatif/ Derivative receivables	Efek-efek yang dibeli dengan janji dikembalikan/ Securities purchased with agreement to resell	Wesel ekspor/ Export bills	Tagihan akseptasi/ Acceptance receivables	Kredit yang diberikan kepada nasabah/ Loans to customers	Jumlah/ Total
Aset pada biaya perolehan diamortisasi	11.941.577	4.351.343	18.682.178	225.433	1.197.780	-	-	14.037.231	2.029.115	2.095.274	52.933.040	108.200.709
	-	-	-	-	-	-	-	-	130.804	-	1.201.472	1.332.276
	-	-	-	-	-	-	-	-	-	-	80.282	80.282
	-	-	-	-	-	-	-	-	-	-	27.430	27.430
	11.941.577	4.351.343	18.682.178	225.433	1.197.780	-	-	14.037.231	2.159.919	2.095.274	56.361.168	111.759.641
Dikurangi: cadangan kerugian Penurunan nilai	-	(1.603)	-	(75)	-	-	-	-	(96.445)	(33.612)	(2.827.043)	(2.958.778)
	11.941.577	4.349.740	18.682.178	225.358	1.197.780	-	-	14.037.231	2.063.474	2.061.662	53.534.125	108.800.863
Aset pada nilai wajar	-	-	-	-	12.110.661	1.248.435	324.241	-	-	-	-	13.683.337
	-	-	-	-	-	-	5	-	-	-	-	5
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	12.110.661	1.248.435	324.246	-	-	-	-	13.683.342
Jumlah Aset Keuangan	11.941.577	4.349.740	18.682.178	225.358	13.308.441	1.248.435	324.246	14.037.231	2.063.474	2.061.662	53.534.125	122.484.205
Total Financial Assets												707.738
Assets at amortised cost												
												Current
												Special mention
												Sub-standard
												Doubtful
												Loss
Less: allowance for impairment loss												
Aset at fair value												
												Current
												Special mention
												Sub-standard
												Doubtful
												Loss

Assets at amortised cost
Current
Special mention
Sub-standard
Doubtful
Loss

Less: allowance for
impairment loss

Aset at fair value
Current
Special mention
Sub-standard
Doubtful
Loss

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (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 di antaranya adalah kas, giro, tabungan, deposito berjangka, rumah tinggal, properti komersial dan industri, garansi bank, instrument surat berharga setara kas seperti deposito pemerintah, *mutual fund* yang didominasi obligasi pemerintah, 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. FINANCIAL 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 table above 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, government bond and mutual fund with government bond domination, 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 realise 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

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (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 analisis 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. 19/PADG/2023 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) - Amandemen Kelima dari Peraturan Anggota Dewan Gubernur No.21/25/PADG/2019.

4. FINANCIAL 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.

The Bank complies with *LTV* ratio for mortgage lending as governed by Bank Indonesia regulation which the prevailing regulation is the Governor Members Regulation No. 19/PADG/2023 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) - Fifth Amendment of Governor Members Regulation No.21/25/PADG/2019

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

b. Risiko kredit (lanjutan)

iii. Agunan (lanjutan)

Kredit properti (lanjutan)

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 1 tahun, kecuali ditentukan lain oleh direktur yang berwenang.

iv. Analisis konsentrasi risiko kredit

Konsentrasi risiko kredit timbul ketika sejumlah nasabah menjalankan kegiatan usaha yang sejenis, atau ketika nasabah memiliki karakteristik yang sejenis yang akan menyebabkan kemampuan mereka untuk memenuhi kewajiban kontraktualnya secara serupa dipengaruhi oleh perubahan kondisi ekonomi atau kondisi lainnya.

4. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

iii. Collaterals (continued)

Mortgage lending (continued)

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 year, unless otherwise determined by authorised director.

iv. Concentration of credit risk analysis

Concentrations of credit risk arise when a number of customers are engaged in similar business activities, 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.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

b. Risiko kredit (lanjutan)

b. Credit risk (continued)

iv. Analisis konsentrasi risiko kredit (lanjutan)

iv. Concentration of credit risk analysis (continued)

Tabel berikut menyajikan konsentrasi aset keuangan berdasarkan debitur:

The following table presents the concentration of financial assets by type of debtors:

31 Desember/ December 2023					
	Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/ Banks	Jumlah/ Total	
Giro pada Bank Indonesia	-	12.295.641	-	12.295.641	Demand deposits with Bank Indonesia
Giro pada bank-bank lain - bersih	-	-	3.634.373	3.634.373	Demand deposits with other banks - net
Penempatan pada Bank Indonesia	-	12.270.854	-	12.270.854	Placements with Bank Indonesia
Penempatan pada bank-bank lain - bersih	-	-	117.708	117.708	Placements with other banks - net
Efek-efek untuk tujuan investasi	-	19.156.076	-	19.156.076	Investment securities
Aset keuangan dalam kelompok diperdagangkan	-	1.804.596	-	1.804.596	Financial assets held for trading
Tagihan derivatif	42.181	12.577	208.018	262.776	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	11.635.006	-	11.635.006	Securities purchased with agreement to resell
Wesel Ekspor - bersih	5.361.240	-	-	5.361.240	Export Bills - net
Tagihan akseptasi - bersih	1.538.130	-	-	1.538.130	Acceptance receivables - net
Kredit yang diberikan kepada nasabah - bersih	52.003.575	-	255.328	52.258.903	Loans to customers - net
Aset lain-lain	495.723	672.966	106	1.168.795	Other assets - net
Rekening administratif dengan risiko kredit - bersih	15.205.386	72.522	2.983.497	18.261.405	Off-balance sheet accounts with credit risk - net
Jumlah	74.646.235	57.920.238	7.199.030	139.765.503	Total
%	54%	41%	5%		%
31 Desember/ December 2022					
	Korporasi dan perorangan/ Corporate and Retail	Pemerintah dan Bank Indonesia/ Government and Bank Indonesia	Bank/ Banks	Jumlah/ Total	
Giro pada Bank Indonesia	-	11.941.577	-	11.941.577	Demand deposits with Bank Indonesia
Giro pada bank-bank lain - bersih	-	-	4.349.740	4.349.740	Demand deposits with other banks - net
Penempatan pada Bank Indonesia	-	18.682.178	-	18.682.178	Placements with Bank Indonesia
Penempatan pada bank-bank lain - bersih	-	-	225.358	225.358	Placements with other banks - net
Efek-efek untuk tujuan investasi	-	13.308.441	-	13.308.441	Investment securities
Aset keuangan dalam kelompok diperdagangkan	-	1.248.435	-	1.248.435	Financial assets held for trading
Tagihan derivatif	41.024	36	283.186	324.246	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	13.931.254	105.977	14.037.231	Securities purchased with agreement to resell
Wesel Ekspor - bersih	2.063.474	-	-	2.063.474	Export Bills - net
Tagihan akseptasi - bersih	2.061.662	-	-	2.061.662	Acceptance receivables - net
Kredit yang diberikan kepada nasabah - bersih	53.534.125	-	-	53.534.125	Loans to customers - net
Aset lain-lain	458.060	249.678	-	707.738	Other assets - net
Rekening administratif dengan risiko kredit - bersih	19.252.074	-	2.818.370	22.070.444	Off-balance sheet accounts with credit risk - net
Jumlah	77.410.419	59.361.599	7.782.631	144.554.649	Total
%	54%	41%	5%		%

Konsentrasi kredit yang diberikan kepada nasabah berdasarkan jenis kredit dan sektor ekonomi diungkapkan pada Catatan 17.

The concentration of loans to customers by type of loan and economic sector is disclosed in Note 17.

Manajemen Bank tidak mengalokasikan eksposur kredit berdasarkan area geografis.

The Bank's management does not allocate credit exposure based on geographic area.

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

c. Risiko pasar

Risiko pasar adalah risiko terjadinya kerugian yang disebabkan oleh adanya perubahan variabel-variabel pasar seperti perubahan tingkat bunga dan nilai tukar mata uang. Pendapatan Bank berasal dari selisih antara bunga yang dihasilkan dari aset dengan bunga yang dibayarkan atas dana pihak ketiga. Perubahan tingkat bunga dapat menyebabkan menurunnya pendapatan bunga, sehingga mempengaruhi kinerja Bank. Selain itu, pendapatan Bank dapat berasal dari selisih kurs mata uang dalam transaksi jual beli valuta asing. Perubahan nilai tukar dapat menyebabkan penurunan pendapatan Bank yang pada akhirnya dapat mempengaruhi kinerja Bank.

Manajemen risiko yang telah diterapkan oleh Bank adalah sebagai berikut:

- Melaksanakan fungsi ALCO untuk membahas kondisi pasar dan menetapkan tindakan yang akan diambil.
- Memantau dan mengukur tingkat risiko pasar 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 *repricing*.
- Melakukan analisis sensitivitas pendapatan bunga bersih terhadap perubahan tingkat bunga pasar dan kurs mata uang di pasar.
- Melakukan penyesuaian tingkat bunga kredit dan dana terhadap perubahan tingkat bunga pasar sesegera mungkin setelah terjadi perubahan tingkat bunga pasar.
- Mengelola dan memelihara Posisi Devisa Neto (PDN) selalu berada di bawah level maksimum dan memonitor PDN intra hari sesuai dengan peraturan yang berlaku.

Secara garis besar, risiko pasar dibagi menjadi:

i. Risiko mata uang

Bank memiliki eksposur risiko mata uang melalui transaksi dalam valuta asing. Bank memonitor konsentrasi risiko yang terkait dengan setiap mata uang individual sehubungan dengan penjabaran transaksi, aset moneter dan liabilitas moneter dalam valuta asing ke dalam mata uang fungsional Bank, yaitu Rupiah.

Posisi Devisa Neto (PDN) Bank dihitung berdasarkan Peraturan Bank Indonesia yang berlaku. Sesuai dengan peraturan yang berlaku, bank diwajibkan untuk memelihara posisi devisa neto secara keseluruhan setinggi-tingginya 20% dari jumlah modal.

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk

Market risk relates to the possibility of losses caused by fluctuations of the market variables, such as changes in interest rates and foreign exchange. The Bank's income is generated from the difference between interest income derived from assets and the interest paid to third party depositors. Changes in interest rates may reduce the interest income and consequently affect the Bank's performance. Likewise, the Bank may earn income from exchange rate differences in foreign exchange transactions. Changes in exchange rates may reduce the Bank's income and thereby affect the Bank's performance.

The risk management applied by the Bank is as follows:

- Implementing ALCO functions to review market conditions and to determine actions to be taken.
- Monitoring and measuring the level of market risk 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 has aligned with repricing dates.
- Performing sensitivity analysis of net interest income relative to market interest rate and market exchange rate movements.
- Adjusting interest rates of credit and funds to promptly counter any changes in market interest rates.
- Managing and maintaining a Net Open Position (NOP) to be always below the maximum level and monitoring the NOP at all times (intra-day NOP) in accordance with the prevailing regulations.

In overall, market risk is divided into the following risks:

i. Currency risk

The Bank is exposed to currency risk through transaction in foreign currencies. The Bank monitors any concentration of risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the Bank's functional currency, i.e. Rupiah.

The Bank's Net Open Position (NOP) was calculated based on the prevailing Bank Indonesia regulations. In accordance with the regulations, banks are required to maintain its aggregate net foreign exchange position at a maximum of 20% from its capital.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

c. Risiko pasar (lanjutan)

c. Market risk (continued)

i. Risiko mata uang (lanjutan)

i. Currency risk (continued)

PDN Bank pada tanggal 31 Desember 2023 dan 2022 berdasarkan mata uang adalah sebagai berikut:

The Bank's NOP as of 31 December 2023 and 2022 by currencies are as follows:

31 Desember/December 2023			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	56.971.169	57.267.723	296.554	United States Dollar
Euro	1.508.772	1.516.313	7.541	Euro
Dolar Australia	963.296	969.744	6.448	Australian Dollar
Dolar Singapura	697.195	699.768	2.573	Singapore Dollar
Yen Jepang	527.126	527.358	232	Japanese Yen
Poundsterling Inggris	487.222	487.919	697	Great Britain Poundsterling
Yuan China Renminbi	327.961	342.511	14.550	Chinese Yuan Renminbi
Dolar Hong Kong	312.824	310.775	2.049	Hong Kong Dollar
Yuan China	246.599	240.620	5.979	China Yuan
Dolar Kanada	92.458	92.318	140	Canadian Dollar
Franc Swiss	45.230	44.219	1.011	Swiss Franc
Dolar Selandia Baru	26.661	26.617	44	New Zealand Dollar
Baht Thailand	2.403	45	2.358	Thailand Baht
Krona Swedia	1.258	873	385	Swedish Krona
Rupiah India	512	69	443	Indian Rupee
Krone Denmark	502	-	502	Danish Krone
Krone Norwegia	228	-	228	Norwegian Krone
Ringgit Malaysia	2	1	1	Malaysian Ringgit
Jumlah			341.735	Total
Jumlah modal			19.681.517	Total capital
Posisi Devisa Neto			1,74%	Net Open Position
31 Desember/December 2022			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	68.516.889	68.217.945	298.944	United States Dollar
Euro	1.796.214	1.818.146	21.932	Euro
Dolar Australia	1.057.555	1.057.372	183	Australian Dollar
Dolar Singapura	802.549	804.026	1.477	Singapore Dollar
Poundsterling Inggris	662.752	662.884	132	Great Britain Poundsterling
Yen Jepang	448.215	448.936	721	Japanese Yen
Yuan China Renminbi	248.725	248.375	350	Chinese Yuan Renminbi
Dolar Hong Kong	233.778	231.722	2.056	Hong Kong Dollar
Yuan China	125.194	127.785	2.591	China Yuan
Dolar Kanada	115.028	115.746	718	Canadian Dollar
Franc Swiss	82.643	81.973	670	Swiss Franc
Dolar Selandia Baru	31.121	31.498	377	New Zealand Dollar
Baht Thailand	4.156	-	4.156	Thailand Baht
Ringgit Malaysia	761	1	760	Malaysian Ringgit
Rupiah India	675	71	604	Indian Rupee
Krona Swedia	524	123	401	Swedish Krona
Krone Denmark	379	1	378	Danish Krone
Krone Norwegia	305	-	305	Norwegian Krone
Jumlah			336.755	Total
Jumlah modal			19.017.775	Total capital
Posisi Devisa Neto			1,77%	Net Open Position

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

c. Risiko pasar (lanjutan)

c. Market risk (continued)

ii. Risiko tingkat bunga

ii. Interest rate risk

Kegiatan usaha Bank dipengaruhi oleh risiko fluktuasi tingkat bunga sepanjang aset berbunga dan liabilitas berbunga (bukan untuk tujuan diperdagangkan) jatuh tempo atau *reprice* pada saat yang berbeda-beda atau dalam jumlah yang beragam.

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) that mature or reprice at different times or in differing amounts.

Tabel di bawah ini menyajikan aset berbunga dan liabilitas berbunga (bukan untuk tujuan diperdagangkan) Bank pada nilai tercatat yang dikategorikan menurut mana yang terlebih dahulu antara tanggal *repricing* atau tanggal jatuh tempo:

The table below summarises the Bank's interest-earning assets and interest-bearing liabilities (not for trading purpose) at carrying amounts categorised by the earlier of contractual repricing or maturity dates:

31 Desember/December 2023						
	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	12.295.641	12.295.641	-	-	-	-
Giro pada bank-bank lain	3.639.891	3.639.891	-	-	-	-
Penempatan pada Bank Indonesia	12.270.854	12.270.854	-	-	-	-
Penempatan pada bank-bank lain	117.759	117.759	-	-	-	-
Efek-efek untuk tujuan investasi	19.156.076	1.983.851	1.393.605	8.934.729	6.639.644	204.247
Efek-efek yang dibeli dengan janji dijual kembali	11.635.006	4.279.004	5.645.090	1.710.912	-	-
Wesel ekspor	5.361.747	3.692.633	1.669.114	-	-	-
Kredit yang diberikan kepada nasabah	54.456.498	37.583.909	3.498.276	1.415.881	11.402.512	555.920
	118.933.472	75.863.542	12.206.085	12.061.522	18.042.156	760.167
Simpanan dari nasabah	(86.318.762)	(82.284.162)	(3.595.825)	(438.775)	-	-
Simpanan dari bank-bank lain	(3.931.601)	(3.931.601)	-	-	-	-
Efek yang dijual dengan janji dibeli kembali	-	-	-	-	-	-
Pinjaman yang diterima	(9.469.155)	(9.469.155)	-	-	-	-
Pinjaman subordinasi	(1.154.775)	(1.154.775)	-	-	-	-
	(100.874.293)	(96.839.693)	(3.595.825)	(438.775)	-	-
	18.059.179	(20.976.151)	8.610.260	11.622.747	18.042.156	760.167
31 Desember/December 2022						
	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	11.941.577	11.941.577	-	-	-	-
Giro pada bank-bank lain	4.351.343	4.351.343	-	-	-	-
Penempatan pada Bank Indonesia	18.682.178	18.682.178	-	-	-	-
Penempatan pada bank-bank lain	225.433	225.433	-	-	-	-
Efek-efek untuk tujuan investasi	13.308.441	100.042	4.222.152	397.298	8.491.778	97.171
Efek-efek yang dibeli dengan janji dijual kembali	14.037.231	7.374.190	1.968.566	4.694.475	-	-
Wesel ekspor	2.159.919	1.859.180	300.739	-	-	-
Kredit yang diberikan kepada nasabah	56.361.168	40.806.738	3.203.525	1.324.919	8.144.001	2.881.985
	121.067.290	85.340.681	9.694.982	6.416.692	16.635.779	2.979.156
Simpanan dari nasabah	(90.187.668)	(89.206.288)	(628.031)	(353.349)	-	-
Simpanan dari bank-bank lain	(3.356.681)	(3.356.681)	-	-	-	-
Efek yang dijual dengan janji dibeli kembali	(41.554)	(41.554)	-	-	-	-
Pinjaman yang diterima	(7.550.237)	(7.550.237)	-	-	-	-
Pinjaman subordinasi	(1.167.563)	(1.167.563)	-	-	-	-
	(102.303.703)	(101.322.323)	(628.031)	(353.349)	-	-
	18.763.587	(15.981.642)	9.066.951	6.063.343	16.635.779	2.979.156

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

c. Risiko pasar (lanjutan)

ii. Risiko tingkat bunga (lanjutan)

Berdasarkan perjanjian kredit dengan debitur/nasabah, Bank berhak mengubah besaran suku bunga sewaktu-waktu atas dasar pertimbangan Bank, kecuali untuk kredit-kredit tertentu yang sudah ditetapkan jangka waktu repricing.

Tabel di bawah ini mengikhtisarkan suku bunga rata-rata per tahun pada tanggal 31 Desember 2023 dan 2022 untuk masing-masing instrumen keuangan.

	31 Desember/ December 2023	31 Desember/ December 2022
Aset		
Rupiah:		
Giro pada bank-		
bank lain	0,14%	0,12%
Giro pada bank		
Indonesia	0,57%	0,59%
Penempatan pada		
bank lain	6,14%	3,86%
Penempatan pada		
bank Indonesia	5,19%	3,04%
Efek-efek untuk		
tujuan investasi	5,64%	5,42%
Efek-efek yang dibeli dengan		
janji dijual kembali	6,56%	3,95%
Wesel ekspor	6,02%	3,92%
Kredit yang diberikan		
kepada nasabah	7,78%	6,51%
Mata uang asing:		
Giro pada bank-		
bank lain	0,12%	0,02%
Penempatan pada		
bank lain	5,43%	1,44%
Penempatan pada		
bank Indonesia	5,06%	2,09%
Wesel ekspor	5,94%	2,90%
Efek-efek untuk		
tujuan investasi	5,50%	-
Kredit yang diberikan		
kepada nasabah	6,15%	3,17%
Liabilitas		
Rupiah:		
Simpanan dari nasabah:		
Giro	1,05%	0,67%
Tabungan	1,17%	1,09%
Deposito	4,38%	2,64%
Simpanan dari bank - bank lain	4,57%	1,84%
Efek-efek yang dijual dengan		
janji dibeli kembali	6,17%	-
Mata uang asing:		
Simpanan dari nasabah:		
Giro	0,36%	0,13%
Tabungan	0,08%	0,01%
Deposito	4,75%	1,65%
Simpanan dari bank - bank lain	0,00%	0,04%
Pinjaman yang diterima dan		
pinjaman subordinasi	7,08%	3,02%

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk (continued)

ii. Interest rate risk (continued)

Based on the loan agreement with the debtors/customers, the Bank has the rights to change the interest rates at any time at its discretion, except for certain loans which repricing period have been determined.

The tables below summarise the average annual interest rates as of 31 December 2023 and 2022 for each financial instrument.

Assets
Rupiah:
Demand deposits with
other banks
Demand deposits with
bank Indonesia
Placements with
other banks
Placements with
bank Indonesia
Investment securities
Securities purchased with
agreement to resell
Export bills
Loans to customers
Foreign currencies:
Demand deposits with
other banks
Placements with
other banks
Placements with
bank Indonesia
Export bills
Investment securities
Loans to customers
Liabilities
Rupiah:
Deposits from customers:
Demand deposits
Savings accounts
Time deposits
Deposits from other banks
Securities sold under
repurchase agreements
Foreign currencies:
Deposits from customers:
Demand deposits
Savings accounts
Time deposits
Deposits from other banks
Borrowings and
subordinated debts

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

c. Risiko pasar (lanjutan)

iii. Dampak reformasi IBOR

SOFR (*Secured Overnight Financing Rate*) telah menggantikan *LIBOR* USD. Bank juga telah menyelesaikan transisi suku bunga acuan dari USD *LIBOR* ke *SOFR*. Saat ini, semua instrumen keuangan yang terdampak telah beralih ke suku bunga acuan alternatif.

iv. *Value at Risk*

Bank memisahkan eksposur risiko pasar antara portofolio yang diperdagangkan dan tidak diperdagangkan. Portofolio yang diperdagangkan meliputi posisi yang timbul dari pembentukan pasar dan *position-taking* dan lainnya yang ditetapkan pada nilai pasar. Portofolio yang tidak diperdagangkan meliputi posisi yang timbul terutama dari manajemen tingkat suku bunga atas aset berbunga dan liabilitas berbunga, dan efek-efek yang diklasifikasikan sebagai tersedia untuk dijual.

Salah satu alat utama yang digunakan oleh Bank untuk memantau dan membatasi eksposur risiko pasar adalah *Value at Risk* (*VaR*). *VaR* adalah teknik yang digunakan untuk mengestimasi potensi kerugian yang mungkin terjadi atas posisi risiko yang diambil sebagai akibat dari pergerakan suku bunga pasar dalam jangka waktu tertentu dan dengan tingkat keyakinan tertentu.

Metodologi *VaR* yang digunakan oleh Bank adalah berdasarkan simulasi historis. Simulasi historis merupakan salah satu metode yang paling umum digunakan, dimana diasumsikan distribusi perubahan faktor risiko pasar masa depan yang diharapkan (seperti nilai tukar mata uang asing dan tingkat bunga) adalah identik dengan distribusi (terpisah) faktor risiko yang sama yang diobservasi selama periode historis yang telah ditentukan sebelumnya.

Meskipun *VaR* adalah panduan yang berharga untuk pemantauan risiko, akan tetapi *VaR* harus juga dilihat dalam konteks keterbatasannya, antara lain:

- Penggunaan data historis untuk mengestimasi peristiwa di masa depan mungkin tidak mencakup semua peristiwa yang mungkin terjadi, terutama peristiwa yang ekstrem sifatnya;
- Penggunaan asumsi posisi per hari, mengasumsikan bahwa semua posisi dapat dilikuidasi atau risiko dapat saling hapus dalam jangka waktu satu hari. Hal ini mungkin tidak mencerminkan risiko pasar yang timbul pada saat kondisi likuiditas sangat terbatas, ketika posisi satu hari tidak cukup untuk melikuidasi atau melakukan lindung nilai terhadap semua posisi Bank secara menyeluruh;

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk (continued)

iii. Effect of IBOR reform

SOFR (*Secured Overnight Financing Rate*) has replaced USD *LIBOR*. The Bank also has completed the transition of interest rate benchmark from USD *LIBOR* to an *SOFR*. As of now, all of Bank's impacted financial instruments have been transitioned to the alternative interest rate benchmark accordingly.

iv. *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 classified as available-for-sale.

One of the principal tools used by the Bank to monitor and limit market risk exposure is *Value at Risk* (*VaR*). *VaR* is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence.

The *VaR* methodology used by the Bank is based on historical simulation. Historical simulation is one of the most commonly used method, it assumes the expected distribution of future changes in market risk factors (e.g. foreign exchange rates and interest rates) is identical observed (discrete) distribution of the same risk factors over a pre-specified historical period.

Although *VaR* is a valuable guidance for risk monitoring, *VaR* should always be viewed in the context of its limitations, among others:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- The use of position per day assumes that all positions can be liquidated or the risks offset in one-day. This may not fully reflect the market risk arising at times of severe liquidity, when the position per day may be insufficient to liquidate or hedge all positions fully hedge;

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

c. Risiko pasar (lanjutan)

iv. Value at Risk (lanjutan)

Meskipun VaR adalah panduan yang berharga untuk pemantauan risiko, akan tetapi VaR harus juga dilihat dalam konteks keterbatasannya, antara lain (lanjutan):

- Penggunaan tingkat keyakinan pada tingkat 99 persen, secara definisi, tidak memperhitungkan kerugian yang mungkin terjadi di luar tingkat keyakinan tersebut;
- VaR dihitung berdasarkan atas eksposur yang tercatat pada saat akhir hari dan dengan demikian tidak mencerminkan *intra-day exposures*.

VaR dari total portofolio dan portofolio yang diperdagangkan adalah sebagai berikut:

31 Desember/ December 2023			
Jumlah VaR / Total VaR	VaR untuk portfolio yang diperdagangkan / Trading VaR		
	Risiko Nilai Tukar / Foreign Exchange Risk	Risiko Suku Bunga / Interest Rate Risk	
8.963	2.982	7.445	
31 Desember/ December 2022			
Jumlah VaR / Total VaR	VaR untuk portfolio yang diperdagangkan / Trading VaR		
	Risiko Nilai Tukar / Foreign Exchange Risk	Risiko Suku Bunga / Interest Rate Risk	
7.515	1.710	7.083	

Bank melakukan validasi atas keakuratan model VaR dengan melakukan *backtesting* menggunakan hasil laba rugi aktual harian.

d. Risiko likuiditas

Risiko likuiditas adalah risiko bahwa Bank tidak memiliki kemampuan finansial yang memadai untuk memenuhi kewajibannya pada saat jatuh tempo, atau memenuhi kewajiban tersebut tetapi dengan biaya yang tinggi. Risiko timbul dari ketidakselarasan waktu dari arus kas. Bank mempertahankan basis pendanaan yang stabil dan terdiversifikasi dari simpanan nasabah ritel inti dan simpanan nasabah korporasi serta portofolio aset yang sangat likuid. Tujuan dari kerangka kerja likuiditas Bank adalah untuk memastikan bahwa Bank dapat bertahan pada saat krisis likuiditas yang ekstrim. Kerangka kerja likuiditas dibentuk sedemikian rupa agar dapat beradaptasi terhadap perubahan bisnis model, pasar dan regulasi.

Bank mengelola risiko likuiditas dan pendanaan masing-masing dengan menerapkan sebuah kerangka kerja dan struktur limit yang ditetapkan oleh ALCO. Bank diharuskan untuk mempertahankan posisi likuiditas yang kuat dan mengelola struktur likuiditas aset, liabilitas dan komitmen untuk memastikan bahwa sumber likuiditas yang memadai, baik untuk jumlah dan kualitas, untuk memastikan bahwa tidak ada risiko yang signifikan dimana kewajiban tidak dapat dipenuhi saat jatuh tempo, dan untuk memastikan bahwa profil pendanaan struktural yang bijaksana dapat dipertahankan.

4. FINANCIAL RISK MANAGEMENT (continued)

c. Market risk (continued)

iv. Value at Risk (continued)

Although VaR is a valuable guidance for risk monitoring, VaR should always be viewed in the context of its limitations, among others (continued):

- The use of a 99 percent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not reflect *intra-day exposures*.

VaR of the total and trading portfolios are as follows:

31 Desember/ December 2023			
Jumlah VaR / Total VaR	VaR untuk portfolio yang diperdagangkan / Trading VaR		
	Risiko Nilai Tukar / Foreign Exchange Risk	Risiko Suku Bunga / Interest Rate Risk	
8.963	2.982	7.445	
31 Desember/ December 2022			
Jumlah VaR / Total VaR	VaR untuk portfolio yang diperdagangkan / Trading VaR		
	Risiko Nilai Tukar / Foreign Exchange Risk	Risiko Suku Bunga / Interest Rate Risk	
7.515	1.710	7.083	

The Bank validates the accuracy of VaR model by performing *backtesting* using actual daily profit or loss results.

d. Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. The risk arises from mismatches in the timing of cash flows. The Bank maintains a stable and diversified funding base of core retail and corporate customer deposits as well as portfolios of highly liquid assets. The objective of the Bank's liquidity framework is to allow the Bank to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations.

The Bank manages liquidity and funding risk on a stand alone basis, employing a centrally imposed framework and limit structure set by ALCO. The Bank is required to maintain strong liquidity positions and to manage the liquidity profiles of its assets, liabilities and commitments with the objective of ensuring that liquidity resources are adequate, both as to the amount and quality, to ensure that there is no significant risk that liabilities cannot be met as they fall due, and to ensure that a prudent structural funding profile is maintained.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (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 *stress* selama 30 hari.

Posisi *LCR* berdasarkan peraturan OJK berdasarkan data 31 Desember dapat dilihat pada tabel di bawah ini:

	31 Desember/ December 2023
<i>Liquidity Coverage Ratio</i> - dihitung berdasarkan peraturan OJK yang berlaku	352,29%

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 butuh dana stabil (*required stable funding*) didukung oleh kewajiban dana stabil yang tersedia (*available stable funding*).

Posisi *NSFR* berdasarkan peraturan OJK berdasarkan data 31 Desember dapat dilihat pada tabel di bawah ini:

	31 Desember/ December 2023
<i>Net Stable Funding Ratio</i> - dihitung berdasarkan peraturan OJK yang berlaku	187,07%

Limit sebesar 100% ditetapkan berdasarkan peraturan OJK yang berlaku.

4. FINANCIAL 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 days severe market stress.

LCR position based on FSA regulations as of 31 December are provided in the following table:

	31 Desember/ December 2022
	343,11%

Liquidity Coverage Ratio - calculated based on the prevailing FSA regulations

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.

NSFR position based on FSA regulation as of 31 December are provided in the following table:

	31 Desember/ December 2022
	182,17%

Net Stable Funding Ratio - calculated based on the prevailing FSA regulations

Limit of 100% is set based on prevailing FSA regulation.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

d. Risiko likuiditas (lanjutan)

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 di awal 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 2023 dan 2022 adalah sebagai berikut:

4. FINANCIAL RISK MANAGEMENT (continued)

d. Liquidity risk (continued)

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 2023 and 2022 are as follows:

31 Desember/ December 2023						
	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	(86.318.762)	(86.504.647)	(75.182.050)	(7.195.848)	(4.126.749)	Deposits from customers
Simpanan dari bank-bank lain	(3.931.601)	(3.931.601)	(3.931.601)	-	-	Deposits from other banks
Utang akseptasi	(1.541.817)	(1.541.817)	(486.854)	(596.024)	(458.939)	Acceptance payables
Pinjaman yang diterima	(9.469.155)	(10.379.584)	-	-	(10.379.584)	Borrowings
Pinjaman subordinasi	(1.154.775)	(1.525.373)	-	-	(1.525.373)	Subordinated debt
Beban akrual dan provisi	(185.752)	(185.752)	(185.752)	-	-	Accruals and provisions
Liabilitas lainnya	(340.326)	(340.326)	(340.326)	-	-	Other liabilities
L/C yang tidak dapat dibatalakan	-	(1.412.474)	(368.584)	(764.305)	(279.585)	Irrevocable L/C
Fasilitas kredit yang belum digunakan - committed	-	(8.095.243)	(369.933)	-	(7.725.310)	Unused credit facilities - committed
	<u>(102.942.188)</u>	<u>(113.916.817)</u>	<u>(80.865.100)</u>	<u>(8.556.177)</u>	<u>(24.495.540)</u>	
<u>Liabilitas derivatif</u>						<u>Derivative payables</u>
Arus kas keluar	(279.059)	(91.197.518)	(61.608.090)	(25.531.079)	(4.058.349)	Cash outflow
Arus kas masuk	-	91.184.274	61.619.128	25.528.693	4.036.453	Cash inflow
	<u>(279.059)</u>	<u>(13.244)</u>	<u>11.038</u>	<u>(2.386)</u>	<u>(21.896)</u>	
	<u>(103.221.247)</u>	<u>(113.930.061)</u>	<u>(80.854.062)</u>	<u>(8.558.563)</u>	<u>(24.517.436)</u>	

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

d. Risiko likuiditas (lanjutan)

d. Liquidity risk (continued)

Eksposur risiko likuiditas (lanjutan)

Exposure to liquidity risk (continued)

Sisa umur atas arus kas kontraktual yang tidak didiskontokan atas liabilitas keuangan sampai dengan jatuh tempo pada tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut (lanjutan):

Maturity on contractual undiscounted cash flows of financial liabilities as of 31 December 2023 and 2022 are as follows (continued):

31 Desember/ December 2022						
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	(90.187.668)	(90.283.193)	(82.925.138)	(6.360.648)	(997.407)	Deposits from customers
Simpanan dari bank-bank lain	(3.356.681)	(3.356.681)	(3.356.681)	-	-	Deposits from other banks
Efek-efek yang dijual dengan janji dibeli kembali	(41.554)	(42.169)	-	(42.169)	-	Securities sold under repurchase agreements
Utang akseptasi	(2.095.274)	(2.095.274)	(687.723)	(990.808)	(416.743)	Acceptance payables
Pinjaman yang diterima	(7.550.237)	(8.084.866)	-	-	(8.084.866)	Borrowings
Pinjaman subordinasi	(1.167.563)	(1.611.560)	-	-	(1.611.560)	Subordinated debt
Beban akrual dan provisi	(115.587)	(115.587)	(115.587)	-	-	Accruals and provisions
Liabilitas lainnya	(279.727)	(279.727)	(279.727)	-	-	Other liabilities
L/C yang tidak dapat dibatalkan	-	(2.919.149)	(271.802)	(2.061.473)	(585.874)	Irrevocable L/C
Fasilitas kredit yang belum digunakan - committed	-	(9.250.873)	(7.607.189)	(258.424)	(1.385.260)	Unused credit facilities - committed
	<u>(104.794.291)</u>	<u>(118.039.079)</u>	<u>(95.243.847)</u>	<u>(9.713.522)</u>	<u>(13.081.710)</u>	
<u>Liabilitas derivatif</u>						<u>Derivative payables</u>
Arus kas keluar	(466.359)	(80.769.544)	(53.490.081)	(20.909.952)	(6.369.511)	Cash outflow
Arus kas masuk	-	80.892.305	51.613.447	20.559.962	8.718.896	Cash inflow
	<u>(466.359)</u>	<u>122.761</u>	<u>(1.876.634)</u>	<u>(349.990)</u>	<u>2.349.385</u>	
	<u>(105.260.650)</u>	<u>(117.916.318)</u>	<u>(97.120.481)</u>	<u>(10.063.512)</u>	<u>(10.732.325)</u>	

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 analisis ini. Sebagai contoh, giro dari nasabah diharapkan memiliki saldo yang stabil atau meningkat.

The table above 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.

Nilai nominal bruto arus kas masuk/(keluar) yang diungkapkan pada tabel di atas menyajikan arus kas kontraktual yang tidak didiskontokan terkait dengan nilai pokok dan bunga dari liabilitas keuangan. Pengungkapan instrumen derivatif menunjukkan nilai bersih derivatif yang dapat diselesaikan secara neto, juga nilai bruto arus kas masuk dan keluar untuk derivatif yang diselesaikan bruto secara bersamaan (sebagai contoh kontrak berjangka valuta asing). Arus kas liabilitas derivatif seperti yang ditunjukkan di tabel di atas merupakan arus kas berdasarkan jatuh tempo kontraktual yang menurut Bank adalah penting untuk memahami waktu dari arus kas.

The gross nominal inflow/(outflow) disclosed in the table above represents the contractual undiscounted cash flows relating to the principal and interest on the financial liabilities. 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 table above represent the cash flows based on contractual maturities which the Bank believes is essential for understanding of the timing of the cash flows.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

d. Risiko likuiditas (lanjutan)

Eksposur risiko likuiditas (lanjutan)

Analisis jatuh tempo liabilitas keuangan bruto Bank (bukan untuk tujuan diperdagangkan) berdasarkan periode tersisa sampai dengan tanggal jatuh tempo kontraktual pada tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut:

31 Desember/ December 2023								
	Tanpa tanggal jatuh tempo kontraktual/ No contractual maturity	Hingga 1 bulan/ Up to 1 month	>1 - 3 bulan/ months	>3 - 12 bulan/ months	1 - 5 tahun/ years	>5 tahun/ years	Nilai tercatat sebelum dikurangi penyisihan kerugian penurunan nilai/ Carrying amount before allowance for impairment Losses	
Liabilitas								Liabilities
Simpanan dari nasabah	(52.932.886)	(22.215.935)	(7.135.341)	(4.034.600)	-	-	(86.318.762)	Deposits from customers
Simpanan dari bank-bank lain	(3.931.601)	-	-	-	-	-	(3.931.601)	Deposits from other banks
Efek-efek yang dijual dengan janji dibeli kembali	-	-	-	-	-	-	-	Securities sold under repurchase agreements
Utang akseptasi	-	(486.853)	(989.219)	(65.745)	-	-	(1.541.817)	Acceptance payables
Beban akrual dan provisi	-	(185.752)	-	-	-	-	(185.752)	Accruals and provisions
Liabilitas lain-lain	(340.326)	-	-	-	-	-	(340.326)	Other liabilities
Pinjaman yang diterima	-	-	-	-	(9.469.155)	-	(9.469.155)	Borrowings
Pinjaman subordinasi	-	-	-	-	(1.154.775)	-	(1.154.775)	Subordinated debts
Jumlah liabilitas	(57.204.813)	(22.888.540)	(8.124.560)	(4.100.345)	(10.623.930)	-	(102.942.188)	Total liabilities
31 Desember/ December 2022								
	Tanpa tanggal jatuh tempo kontraktual/ No contractual maturity	Hingga 1 bulan/ Up to 1 month	>1 - 3 bulan/ months	>3 - 12 bulan/ months	1 - 5 tahun/ years	>5 tahun/ years	Nilai tercatat sebelum dikurangi penyisihan kerugian penurunan nilai/ Carrying amount before allowance for impairment Losses	
Liabilitas								Liabilities
Simpanan dari nasabah	(58.625.589)	(24.257.027)	(6.323.672)	(981.380)	-	-	(90.187.668)	Deposits from customers
Simpanan dari bank-bank lain	(3.356.681)	-	-	-	-	-	(3.356.681)	Deposits from other banks
Efek-efek yang dijual dengan janji dibeli kembali	-	-	(41.554)	-	-	-	(41.554)	Securities sold under repurchase agreements
Utang akseptasi	-	(687.724)	(990.808)	(384.050)	(32.692)	-	(2.095.274)	Acceptance payables
Beban akrual dan provisi	-	(115.587)	-	-	-	-	(115.587)	Accruals and provisions
Liabilitas lain-lain	(279.727)	-	-	-	-	-	(279.727)	Other liabilities
Pinjaman yang diterima	-	-	-	-	(7.550.237)	-	(7.550.237)	Borrowings
Pinjaman subordinasi	-	-	-	-	(1.167.563)	-	(1.167.563)	Subordinated debts
Jumlah liabilitas	(62.261.997)	(25.060.338)	(7.356.034)	(1.365.430)	(8.750.492)	-	(104.794.291)	Total liabilities

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.

e. Operational risk

Operational risk is the potential losses arising from IT system failure, human error, deficiencies in internal process and external event including *fraud*. These risks may trigger losses for the Bank and consequently affect the Bank's performance and soundness.

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

e. Risiko operasional (lanjutan)

Manajemen risiko operasional dan internal kontrol yang kuat adalah elemen inti dari strategi risiko operasional Bank dan semua karyawan bertanggung jawab untuk mengelola dan memitigasi risiko operasional dalam kegiatan sehari-hari. *Non Financial Risk (NFR) Guiding Principles* dan *NFR Technical User Guide* adalah pendekatan menyeluruh yang diterapkan oleh bank untuk mengelola risiko operasionalnya sesuai dengan bisnis dan strategi risiko operasional dan objektif dan juga *appetite* risiko operasional.

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 yang didukung oleh *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 setiap unit bisnis, baik risiko yang melekat dan risiko residual dalam proses, kegiatan dan produk terkait. Penilaian risiko menyertakan kajian berkala atas risiko yang teridentifikasi untuk memantau perubahan signifikan;
- Data kerugian risiko operasional dikumpulkan dan dilaporkan kepada 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 uji tambahan dilaksanakan apabila terdapat kantor Bank yang terkena suatu kejadian merugikan, untuk menyertakan pelajaran yang didapat dalam pemulihan operasi dari situasi tersebut.

4. FINANCIAL RISK MANAGEMENT (continued)

e. Operational risk (continued)

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 its business and operational risk strategies and objectives and accordingly 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, 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 each business, both inherent and residual risks in its processes, activities and products. Risk assessment incorporates a regular review of identified risks to monitor significant changes;*
- *Operational risk loss data is collected and reported to 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.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

4. FINANCIAL RISK MANAGEMENT (continued)

f. Manajemen modal

f. Capital management

Modal yang diwajibkan regulator

Regulatory capital

Bank telah mematuhi semua persyaratan modal yang ditetapkan oleh pihak eksternal sepanjang periode pelaporan.

The Bank has complied with all externally imposed capital requirements throughout the reporting period.

Rasio Kewajiban Penyediaan Modal Minimum (KPMM) pada tanggal 31 Desember 2023 dan 2022 adalah:

The Capital Adequacy Ratio (CAR) as at 31 December 2023 and 2022 are as follows:

	Catatan / Notes	31 Desember/ December 2023	31 Desember/ December 2022	
Modal tier 1	29	10.586.395	10.586.395	Tier 1 capital
Modal saham				Share capital
Tambahan modal disetor		257.610	257.610	Additional paid-in-capital
Cadangan umum	32	96.274	77.248	General reserve
Saldo laba	32	5.658.194	5.011.310	Retained earnings
Laba periode berjalan		2.448.189	1.902.598	Profit for the period
Penghasilan komprehensif lain		(49.397)	(72.234)	Other comprehensive income
Penyisihan Penghapusan Aset (PPA) atas aset non-produktif yang wajib dihitung		(82.994)	(83.127)	Non-earning asset provision that should be calculated
Perhitungan pajak tangguhan		(409.330)	(326.423)	Deferred tax calculation
Aset tidak berwujud lainnya		(143.087)	(72.104)	Other intangible assets
		<u>18.361.854</u>	<u>17.281.273</u>	
Modal tier 2				Tier 2 capital
Pinjaman subordinasi	28	756.359	998.119	Subordinated debt
Cadangan umum aset produktif		<u>711.586</u>	<u>738.383</u>	General allowance for earning assets
Jumlah modal		<u>19.829.799</u>	<u>19.017.775</u>	Total capital
Aset tertimbang menurut risiko				Risk weighted asset
Risiko kredit		67.893.465	62.461.177	Credit risk
Risiko pasar		954.587	960.538	Market risk
Risiko operasional		<u>8.163.661</u>	<u>12.432.866</u>	Operational risk
Jumlah aset tertimbang menurut risiko		<u>77.011.713</u>	<u>75.854.581</u>	Total risk weighted assets

Rasio Kewajiban Penyediaan Modal Minimum (KPMM) pada tanggal 31 Desember 2023 dan 2022 adalah:

The Capital Adequacy Ratio (CAR) as at 31 December 2023 and 2022 are as follows:

	31 Desember/ December 2023	31 Desember/ December 2022	
Rasio kewajiban penyediaan modal	25,75%	25,07%	Capital adequacy ratio
Rasio CET 1	23,84%	22,78%	CET 1 Ratio
Rasio Tier 1	23,84%	22,78%	Tier 1 Ratio
Rasio Tier 2	1,91%	2,29%	Tier 2 Ratio
Capital conservation buffer	2,50%	2,50%	Capital conservation buffer
countercyclical buffer	0,00%	0,00%	countercyclical buffer
Domestically systemically important bank	1,00%	1,00%	Domestically systemically important bank
Rasio kewajiban penyediaan modal yang diwajibkan	9% sampai dengan kurang dari 10%/9% to less than 10%	9% sampai dengan kurang dari 10%/9% to less than 10%	Required capital adequacy ratio
Rasio CET 1 minimum yang diwajibkan	4,50%	4,50%	Required minimum CET 1 Ratio
Rasio Tier 1 minimum yang diwajibkan	6,00%	6,00%	Required minimum Tier 1 Ratio

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

4. MANAJEMEN RISIKO KEUANGAN (lanjutan)

f. Manajemen modal (lanjutan)

Modal yang diwajibkan regulator (lanjutan)

Melalui Surat OJK No. S-141/PB.33/2017 tanggal 23 November 2017, OJK telah memberikan persetujuan bagi Bank untuk memperhitungkan pinjaman subordinasi sebesar USD 75 juta dari HSBC Asia Pacific Holdings (UK) Limited (lihat Catatan 28) sebagai bagian dari komponen modal pelengkap (modal *Tier 2*) efektif mulai November 2017.

Berdasarkan Surat OJK No. SR-91/PB.33/2017 tanggal 23 November 2017, OJK menetapkan Bank sebagai salah satu *Domestically Systematically Important Bank (bucket 1)*. *Capital surcharge* yang dikenakan kepada Bank adalah sebesar 0,50% sejak 1 Januari 2017 hingga 31 Desember 2017, 0,75% sejak 1 Januari 2018, 1,00% sejak 1 Januari 2019 dan 1,00% sejak 1 Oktober 2021. Surat ini telah diperbaharui beberapa kali, terakhir berdasarkan surat Nomor Surat Nomor S-112/PB.32/2023 tertanggal 23 Oktober 2023.

Perhitungan Rasio Kewajiban Penyediaan Modal Minimum telah sesuai dengan Peraturan Otoritas Jasa Keuangan Nomor 27 Tahun 2022 menggantikan peraturan sebelumnya yaitu 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 2023 dengan menggunakan peringkat profil risiko posisi 30 Juni 2023.

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 2023, KPMM Bank berada pada level di atas modal minimum yang diwajibkan tersebut, yaitu sebesar 25,75%.

Tujuan manajemen permodalan Bank adalah untuk mempertahankan posisi modal yang kuat untuk mendukung pertumbuhan bisnis dan mempertahankan investor, deposan, pelanggan dan kepercayaan pasar. Dalam pengelolaan permodalan, Bank mempertimbangkan faktor-faktor seperti: pengembalian modal yang optimal pada pemegang saham, menjaga keseimbangan antara keuntungan yang lebih tinggi dengan *gearing ratio* serta keamanan yang diberikan oleh posisi modal yang sehat.

4. FINANCIAL RISK MANAGEMENT (continued)

f. Capital management (continued)

Regulatory capital (continued)

Through its letter No. S-141/PB.33/2017 dated 23 November 2017, the FSA has given their approval for the Bank to include the subordinated loan amounting to USD 75 million from HSBC Asia Pacific Holdings (UK) Limited (see Note 28) as supplementary capital (*Tier 2 capital*) component effectively since November 2017.

Based on FSA 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, 1.00% from 1 January 2019 and 1.00% from 1 October 2021. The letter has been amended several times, the recent FSA letter was dated 23 October 2023 Number Surat Nomor S-112/PB.32/2023.

Calculation of Capital Adequacy Ratio in compliance with Financial Services Authority Regulation Number 27 Year 2022 that replaces the previous regulation, namely Financial Services Authority Regulation Number 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 2023 by using 30 June 2023 risk profile rating.

The risk profile is part of the 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 2023, the Bank's CAR was 25.75%, which was higher than the required minimum provision of capital.

The Bank's capital management objective is to maintain a strong capital position to support business growth and to sustain investor, depositor, customer and market confidence. In managing its capital, the Bank considers factors such as: providing optimal capital rate of return to shareholders and maintaining a balance between high return gearing ratio and safety provided by a sound capital position.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

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.

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 ekonomi, termasuk menetapkan apakah prakiraan ekonomi 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 bersih yang diharapkan akan diterima. Dalam mengestimasi arus kas ini, manajemen membuat pertimbangan mengenai kondisi keuangan dari pihak lawan dan/atau 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 *Special Credit Unit (SCU)*.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

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.

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 net 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 Special Credit Unit (SCU).

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)**a. Sumber utama atas ketidakpastian taksiran**
(lanjutan)**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 objektif dan karenanya, membutuhkan tingkat pertimbangan yang beragam, tergantung pada likuiditas, ketidakpastian faktor pasar, asumsi penentuan harga, dan risiko lainnya yang mempengaruhi instrumen tertentu.

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.

5. USE OF ESTIMATES AND JUDGMENTS
(continued)**a. Key sources of estimation uncertainty**
(continued)**a.2. Determining fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price, the Bank requires the use of valuation techniques as described in Note 3a.6. For financial instruments that trade infrequently and have no price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

a.3. Employee benefits

The present value of the pension obligations depends on several numbers 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 obligations.

a.4. Deferred tax asset

Deferred tax assets are recognised for the future recoverable taxable income arising from temporary difference. Judgment of the management is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing on level of future taxable profits together with future strategic planning.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)**

**a. Sumber utama atas ketidakpastian taksiran
(lanjutan)**

a.5. Dampak atas hasil pemeriksaan pajak

Penilaian yang signifikan diperlukan dalam menentukan dampak dari hasil pemeriksaan pajak yang sedang berlangsung. Bank mempertimbangkan risiko ini berdasarkan perkiraan apakah terdapat pajak tambahan yang akan ditagihkan.

a.6. 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 19.

a.7. Menentukan jangka waktu kontrak dengan opsi perpanjangan dan penghentian kontrak - Bank sebagai lessee

Bank menentukan jangka waktu sewa sebagai jangka waktu sewa yang tidak dapat dibatalkan, bersama dengan periode yang dicakup oleh opsi untuk memperpanjang masa sewa jika dipastikan akan dilaksanakan, atau periode apa pun yang dicakup oleh opsi untuk menghentikan sewa, jika cukup wajar untuk tidak dilakukan.

Bank memiliki beberapa kontrak sewa yang mencakup opsi perpanjangan dan penghentian jangka waktu sewa. Bank menerapkan penilaian dalam mengevaluasi apakah dapat dipastikan jika akan menggunakan opsi untuk memperpanjang atau menghentikan sewa. Hal tersebut dilakukan dengan mempertimbangkan seluruh fakta dan keadaan yang relevan yang memberikan insentif ekonomi untuk melakukan perpanjangan atau penghentian sewa. Setelah tanggal dimulainya, Bank menilai kembali masa sewa, jika terdapat peristiwa atau perubahan signifikan dalam keadaan yang berada dalam kendali dan mempengaruhi apakah lessee cukup pasti untuk mengeksekusi opsi memperpanjang atau menghentikan sewa.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

**5. USE OF ESTIMATES AND JUDGMENTS
(continued)**

**a. Key sources of estimation uncertainty
(continued)**

a.5. Impact on tax assessment

Significant judgment is required in determining the impact of the ongoing tax assessment. The Bank considers this risk based on estimates whether the additional taxes will be due.

a.6. 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 are 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 19.

a.7. Determine the contract term with extension and contract termination options - the Bank as lessee

The Bank determines the lease term as non-cancellable term, together with the period covered by the option to extend the lease if it is determined to be exercised, or any period covered by the option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and contract termination in the lease terms. The Bank applies its judgment in evaluating whether it is certain to exercise the option to extend or terminate the lease. This is done by considering all relevant facts and circumstances that provide economic incentives to extend or terminate the lease. After the commencement date, the Bank reassesses the lease term, if there is a significant event or change in circumstances which is under its control and affects whether the lessee is certain enough to exercise the option to extend or terminate the lease.

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)

b. Sumber akuntansi yang penting dalam menerapkan kebijakan akuntansi Bank

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 antara instrumen keuangan, tingkat konsistensi antara 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 analisis 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

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 an independent function 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 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.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

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 di antara 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

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.

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

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)

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*).

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.

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.

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)

Valuation framework (continued)

The objective of valuation technique is to obtain 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.

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.

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.

b.2. Financial asset and liabilities classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

5. PENGGUNAAN TAKSIRAN DAN PERTIMBANGAN
(lanjutan)

c. Pertimbangan akuntansi yang penting

c.1. Usaha yang berkelanjutan

Manajemen Bank telah melakukan penilaian atas kemampuan Bank untuk melanjutkan kelangsungan usahanya dan berkeyakinan bahwa Bank memiliki sumber daya untuk melanjutkan usahanya di masa mendatang. Selain itu, manajemen tidak mengetahui adanya ketidakpastian material yang dapat menimbulkan keraguan yang signifikan terhadap kemampuan Bank untuk mempertahankan kelangsungan hidupnya. Oleh karena itu, laporan keuangan telah disusun atas dasar usaha yang berkelanjutan.

c.2. Klasifikasi aset dan liabilitas keuangan

Manajemen Bank menetapkan klasifikasi atas aset dan liabilitas tertentu sebagai aset keuangan dan liabilitas keuangan dengan mempertimbangkan bila definisi yang ditetapkan PSAK No. 71 telah dipenuhi. Dengan demikian, aset keuangan dan liabilitas keuangan diakui sesuai dengan kebijakan akuntansi Bank seperti diungkapkan pada Catatan 3.a.1.

6. KAS

	31 Desember/ December 2023	31 Desember/ December 2022
Rupiah	185.605	213.781
Mata uang asing	179.271	214.899
Total	364.876	428.680

Saldo kas dalam mata uang Rupiah termasuk jumlah kas pada ATM masing-masing sebesar Rp 23.232 dan Rp 55.951 pada tanggal 31 Desember 2023 dan 2022.

7. GIRO PADA BANK INDONESIA

	31 Desember/ December 2023	31 Desember/ December 2022
Rupiah	10.702.051	10.112.396
Dolar Amerika Serikat	1.593.590	1.829.181
Total	12.295.641	11.941.577

Saldo giro pada Bank Indonesia disediakan untuk memenuhi persyaratan Giro Wajib Minimum (GWM) dari Bank Indonesia.

Rasio Giro Wajib Minimum (GWM) dalam mata uang Rupiah dan valuta asing yang harus dipenuhi Bank pada tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

5. USE OF ESTIMATES AND JUDGMENTS
(continued)

c. Significant accounting judgements

c.1. Going concern

The Management of the Bank has assessed the ability of the Bank and to continue its business and believes that the Bank has the resources to continue their business in the future. In addition, management is not aware of any material uncertainties that may cause significant doubt on the ability of the Bank to maintain its viability. Therefore, the financial statements have been prepared on the basis of a going concern.

c.2. Classification of financial assets and liabilities

The Management of the Bank determine the classification of certain assets and liabilities as financial assets and financial liabilities by considering whether the definitions set under SFAS No. 71 have been fulfilled. Accordingly, financial assets and financial liabilities are recognised in accordance with the accounting policy of the Bank as disclosed in Note 3.a.1.

6. CASH

	31 Desember/ December 2023	31 Desember/ December 2022
Rupiah	185.605	213.781
Foreign currencies	179.271	214.899
Total	364.876	428.680

Total cash in Rupiah currency included cash in ATMs amounting to Rp 23,232 and Rp 55,951 as of 31 December 2023 and 2022, respectively.

7. DEMAND DEPOSITS WITH BANK INDONESIA

	31 Desember/ December 2023	31 Desember/ December 2022
Rupiah	10.702.051	10.112.396
United States Dollar	1.593.590	1.829.181
Total	12.295.641	11.941.577

Demand deposits with Bank Indonesia are provided to fulfill Bank Indonesia's Minimum Statutory Reserves requirements (GWM).

The Minimum Statutory Reserves (GWM) ratios required to be maintained by the Bank in Rupiah and foreign currencies as at 31 December 2023 and 2022 are as follows:

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

7. GIRO PADA BANK INDONESIA (lanjutan)

7. DEMAND DEPOSITS WITH BANK INDONESIA (continued)

	<u>31 Desember/ December 2023</u>	<u>31 Desember/ December 2022</u>
Rupiah		
GWM Primer		
- Harian	0,00%	0,00%
- Rata-rata	13,85%	12,84%
- Penyangga Likuiditas Makroprudensial	42,44%	36,86%
GWM valuta asing		
- Harian	2,00%	2,00%
- Rata-rata	2,13%	2,23%

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. 24/4/PBI/2022; PADG nomor 24/8/PADG/2022 dan perubahan terakhirnya dalam PADG No. 12 tahun 2023 yang efektif berlaku tanggal 1 Oktober 2023 tentang Peraturan Pelaksanaan Pemenuhan 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 9% dari dana pihak ketiga dalam Rupiah. GWM dalam valuta asing ditetapkan sebesar 4% dari dana pihak ketiga dalam valuta asing.

Bank telah memenuhi Peraturan Bank Indonesia yang berlaku tentang GWM Bank Umum Konvensional pada tanggal 31 Desember 2023 dan 31 Desember 2022.

Pada tanggal 31 Desember 2023 GWM RIM dan PLM Bank telah sesuai dengan PADG No. 21/22/PADG/2019 dan perubahan terakhirnya pada PADG Nomor 18 Tahun 2023, yang berlaku efektif 1 Desember 2023 dimana ketentuan parameter batas bawah dan batas atas adalah 0,15 dan 0.

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. 24/4/PBI/2022; PADG No. 24/8/PADG/2018 and its latest amendment in PADG No. 12 year 2023 which was effective since October 1st, 2023 regarding Statutory Reserve Requirement (GWM) in Rupiah and Foreign Currency of Conventional Banks, Sharia Banks and Sharia Business Units for 9% of total third party funds in Rupiah. GWM in foreign currencies is set at 4% of total third party funds in foreign currencies.

The Bank has fulfilled the prevailing Bank Indonesia's Regulation regarding GWM for Conventional Banks as at 31 December 2023 and 31 December 2022.

As of 31 December 2023, the Bank's GWM RIM and PLM are in compliance with PADG 21/22/PADG/2019 and its latest amendment in PADG No. 18 year 2023 which was effective since December 1st 2023, in which the requirement for disincentive parameter at bottom line and upper line is 0.15 and 0.

8. GIRO PADA BANK-BANK LAIN

8. DEMAND DEPOSITS WITH OTHER BANKS

a. Berdasarkan mata uang

a. By currency

	<u>31 Desember/ December 2023</u>	<u>31 Desember/ December 2022</u>
Rupiah	79.568	68.098
Valuta asing	3.560.323	4.283.245
Sub-total	3.639.891	4.351.343
Cadangan kerugian penurunan nilai	(5.518)	(1.603)
Jumlah	3.634.373	4.349.740

Rupiah
Foreign currencies
Sub-total
Allowance for impairment losses
Total

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

8. GIRO PADA BANK-BANK LAIN (lanjutan)

8. DEMAND DEPOSITS WITH OTHER BANKS (continued)

b. Mutasi nilai tercatat bruto

Mutasi nilai tercatat bruto giro pada bank-bank lain pada biaya perolehan diamortisasi adalah sebagai berikut:

b. The changes in the gross carrying amount

The changes in the gross carrying amount on demand deposits with other banks are as follows:

31 Desember/December 2023					
	Stage 1	Stage 2	Stage 3	Jumlah/ Total	
1 Januari 2023	4.350.820	523	-	4.351.343	January 1, 2023
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	523	(523)	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(698.517)	-	-	(698.517)	Net change in exposure and remeasurement
Selisih kurs	(12.935)	-	-	(12.935)	Exchange rate differences
31 Desember 2023	3.639.891	-	-	3.639.891	31 December 2023
31 Desember/December 2022					
	Stage 1	Stage 2	Stage 3	Jumlah/ Total	
1 Januari 2022	3.312.401	51.591	-	3.363.992	January 1, 2022
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(153)	153	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	50.429	(50.429)	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	910.705	(792)	-	909.913	Net change in exposure and remeasurement
Selisih kurs	77.438	-	-	77.438	Exchange rate differences
31 Desember 2022	4.350.820	523	-	4.351.343	31 December 2022

c. Cadangan kerugian penurunan nilai

Mutasi nilai cadangan kerugian penurunan nilai giro pada bank-bank lain adalah sebagai berikut:

c. Allowance for impairment losses

The changes in the allowance for impairment losses on demand deposits with other banks are as follows:

31 Desember/December 2023					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2023	1.601	2	-	1.603	January 1, 2023
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	2	(2)	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	3.980	-	-	3.980	Net change in exposure and remeasurement
Selisih kurs	(65)	-	-	(65)	Exchange rate differences
31 Desember 2023	5.518	-	-	5.518	31 December 2023

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

8. GIRO PADA BANK-BANK LAIN (lanjutan)

c. Cadangan kerugian penurunan nilai (lanjutan)

Mutasi nilai cadangan kerugian penurunan nilai giro pada bank-bank lain adalah sebagai berikut (lanjutan):

	31 Desember/December 2022			
	Stage 1	Stage 2	Stage 3	Jumlah / Total
1 Januari 2022	372	181	-	553
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	179	(179)	-	-
Perubahan bersih pada eksposur dan pengukuran kembali	995	-	-	995
Selisih kurs	55	-	-	55
31 Desember 2022	1.601	2	-	1.603

Manajemen Bank berkeyakinan bahwa saldo penyisihan kerugian penurunan nilai yang dibentuk cukup untuk menutupi penurunan nilai giro pada bank-bank lain pada tanggal 31 Desember 2023 dan 2022.

8. DEMAND DEPOSITS WITH OTHER BANKS (continued)

c. Allowance for impairment losses (continued)

The changes in the allowance for impairment losses on demand deposits with other banks are as follows (continued):

	31 Desember/December 2022			
	Stage 1	Stage 2	Stage 3	Jumlah / Total
January 1, 2022	372	181	-	553
Transfer to lifetime expected credit loss (stage 2)	-	-	-	-
Transfer to credit impaired (stage 3)	-	-	-	-
Transfer to 12 months expected credit losses (stage 1)	179	(179)	-	-
Net change in exposure and remeasurement	995	-	-	995
Exchange rate differences	55	-	-	55
31 Desember 2022	1.601	2	-	1.603

The Bank's management believes that the balance of allowance for impairment losses provided is adequate to cover impairment on demand deposits with other banks as of 31 December 2023 and 2022.

9. PENEMPATAN PADA BANK INDONESIA

Penempatan pada Bank Indonesia berdasarkan jenis dan mata uang adalah sebagai berikut:

	31 Desember/ December 2023
Rupiah	
Term deposit jangka pendek	-
Term deposit overnight	399.767
	399.767
Mata uang asing	
Dolar Amerika Serikat	
Term deposit jangka pendek	-
Term deposit overnight	11.871.087
	11.871.087
Jumlah	12.270.854

Penempatan pada Bank Indonesia seluruhnya dengan pihak ketiga.

Tidak terdapat penempatan pada Bank Indonesia yang digunakan sebagai jaminan pada tanggal 31 Desember 2023 dan 2022.

Seluruh instrumen berada pada tahap 1 dan tidak ada pergerakan antar tahap selama tahun 2023 dan 2022.

10. PENEMPATAN PADA BANK-BANK LAIN

Penempatan pada bank-bank lain berdasarkan jenis penempatan dan mata uang adalah sebagai berikut:

	31 Desember/ December 2023
Rupiah	-
Valuta asing	117.759
Cadangan kerugian penurunan nilai	(51)
	117.708

9. PLACEMENTS WITH BANK INDONESIA

Placements with Bank Indonesia by type and currencies are as follows:

	31 Desember/ December 2022
Rupiah	
Term deposit - short term	2.498.520
Term deposit overnight	1.799.288
	4.297.808
Foreign Currency	
United States Dollar	
Term deposit - short term	14.384.370
Term deposit overnight	-
	14.384.370
Total	18.682.178

All placements with Bank Indonesia are held with third parties.

There were no placements with Bank Indonesia pledged as collateral as of 31 December 2023 and 2022.

All instruments in stage 1 and there is no movement between stages during 2023 and 2022.

10. PLACEMENTS WITH OTHER BANKS

Placements with other banks by types of placements and currencies are as follows:

	31 Desember/ December 2022
Rupiah	-
Foreign currencies	225.433
Allowance for impairment losses	(75)
	225.358

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

10. PENEMPATAN PADA BANK-BANK LAIN (lanjutan)

Seluruh penempatan pada bank lain pada tanggal 31 Desember 2023 dan 2022 diklasifikasikan sebagai lancar berdasarkan kolektibilitas Bank Indonesia.

Mutasi nilai tercatat bruto penempatan pada bank-bank lain pada biaya perolehan diamortisasi adalah sebagai berikut:

10. PLACEMENTS WITH OTHER BANKS (continued)

All placements with other banks as of and 31 December 2023 and 2022 are classified as current based on Bank Indonesia collectibility.

The changes in the gross carrying value of placements with other banks at amortized cost are as follows:

31 Desember/December 2023					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2023	225.433	-	-	225.433	January 1, 2023
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(111.711)	-	-	(111.711)	Net change in exposure and remeasurement
Selisih kurs	4.037	-	-	4.037	Exchange rate differences
31 Desember 2023	117.759	-	-	117.759	31 December 2023

31 Desember/December 2022					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2022	257.379	-	-	257.379	January 1, 2022
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(29.622)	-	-	(29.622)	Net change in exposure and remeasurement
Selisih kurs	(2.324)	-	-	(2.324)	Exchange rate differences
31 Desember 2022	225.433	-	-	225.433	31 December 2022

Mutasi nilai cadangan kerugian penurunan nilai penempatan pada bank-bank lain diukur pada biaya perolehan diamortisasi adalah sebagai berikut:

The changes in the allowance for impairment losses on placements with other banks measured at amortised cost are as follows:

31 Desember/December 2023					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2023	75	-	-	75	January 1, 2023
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(25)	-	-	(25)	Net change in exposure and remeasurement
Selisih kurs	1	-	-	1	Exchange rate differences
31 Desember 2023	51	-	-	51	31 December 2023

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

10. PENEMPATAN PADA BANK-BANK LAIN (lanjutan)

10. PLACEMENTS WITH OTHER BANKS (continued)

	31 Desember/December 2022				
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2022	29	-	-	29	January 1, 2022
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kerugian kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	47	-	-	47	Net change in exposure and remeasurement
Selisih kurs	(1)	-	-	(1)	Exchange rate differences
31 Desember 2022	75	-	-	75	31 December 2022

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 2023 dan 2022.

Tidak terdapat penempatan pada bank lain yang digunakan sebagai jaminan pada tanggal 31 Desember 2023 dan 2022.

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 2023 and 2022.

There were no placements with other banks pledged as collateral as of 31 December 2023 and 2022.

11. EFEK-EFEK UNTUK TUJUAN INVESTASI

Rincian efek-efek berdasarkan jenis dan mata uang adalah sebagai berikut:

11. INVESTMENT SECURITIES

Securities classified according to type and currency are as follows:

	31 Desember/December 2023		
	Nilai nominal/ Par value	Nilai tercatat/ Carrying value	
Diukur pada nilai wajar melalui penghasilan komprehensif lain (FVOCI)			Measured at Fair value through other comprehensive income (FVOCI)
Rupiah			Rupiah
Obligasi pemerintah	6.223.012	6.273.083	Government Bonds
Sekuritas Rupiah Bank Indonesia	8.391.056	7.939.177	Bank Indonesia Rupiah Securities
Obligasi pemerintah - Sukuk	634.338	625.200	Government Bonds - Sukuk
	15.248.406	14.837.460	
Valuta Asing			Foreign Currencies
Sekuritas Valas Bank Indonesia	76.985	76.902	Bank Indonesia Foreign Currency Securities
	76.985	76.902	
Biaya perolehan diamortisasi			Amortized cost
Rupiah			Rupiah
Obligasi pemerintah	3.298.474	3.324.310	Government Bonds
Obligasi pemerintah - Sukuk	927.883	917.404	Government Bonds - Sukuk
	4.226.357	4.241.714	
Jumlah	19.551.748	19.156.076	Total
	31 Desember/December 2022		
	Nilai nominal/ Par value	Nilai tercatat/ Carrying value	
Diukur pada nilai wajar melalui penghasilan komprehensif lain (FVOCI)			Measured at Fair value through other comprehensive income (FVOCI)
Rupiah			Rupiah
Obligasi pemerintah	7.718.862	7.882.553	Government Bonds
Obligasi pemerintah - Sukuk	4.245.485	4.228.108	Government Bonds - Sukuk
	11.964.347	12.110.661	
Biaya perolehan diamortisasi			Amortized cost
Rupiah			Rupiah
Obligasi pemerintah	496.383	502.925	Government Bonds
Obligasi pemerintah - Sukuk	698.481	694.855	Government Bonds - Sukuk
	1.194.864	1.197.780	
Jumlah	13.159.211	13.308.441	Total

Pada tanggal 31 Desember 2023 dan 2022 semua efek-efek untuk tujuan investasi merupakan transaksi dengan pihak ketiga.

As of 31 December 2023 and 2022 investment securities were all made with third parties.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

11. EFEK-EFEK UNTUK TUJUAN INVESTASI
(lanjutan)

Rincian efek-efek berdasarkan penerbit adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ 31 December 2022
Negara Republik Indonesia	19.156.076	13.308.441
Jumlah	19.156.076	13.308.441

Rincian efek-efek berdasarkan peringkat adalah sebagai berikut:

11. INVESTMENT SECURITIES (continued)

Securities classified according to issuer are as follows:

Republic of Indonesia	Total
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Securities classified according to rating are as follows:

31 Desember/December 2023				
	Lembaga pemeringkat/ Credit rating agency	Rating/ Rating	Nilai tercatat/ Carrying value	Jatuh tempo/ Maturity
Rupiah				Rupiah
Obligasi Pemerintah	Standard and Poors	BBB	9.597.393	Bervariasi dari 15-Feb-2024 sampai dengan 15-Mei-2029 / Various dates from 15-Feb-2024 until 15-May-2029 Government Bond
Sekuritas Rupiah Bank Indonesia	Standard and Poors	BBB	7.939.177	Bervariasi dari 13 Sept-2024 sampai dengan 22 Nov-2024 / Various dates from 13-Sept-2024 until 22-Nov-24 Bank Indonesia Rupiah Securites
Obligasi Pemerintah – Sukuk	Standard and Poors	BBB	1.542.604	Bervariasi dari 10-Mar-2024 sampai dengan 15-Jan-2027 / Various dates from 10-Mar-2024 until 15-Jan-2027 Government Bond - Sukuk
Valuta asing Sekuritas Valas Bank Indonesia	Standard and Poors	BBB	76.902	01-Agustus-2024 / 01-August-2024 Bank Indonesia Foreign Currency Securites
			19.156.076	
31 Desember/December 2022				
	Lembaga pemeringkat/ Credit rating agency	Rating/ Rating	Nilai tercatat/ Carrying value	Jatuh tempo/ Maturity
Rupiah				Rupiah
Obligasi Pemerintah	Standard and Poors	BBB-	8.385.478	Bervariasi dari 15-Mei-2023 sampai dengan 15-Agu-2028 / Various dates from 15-May-2023 until 15-Aug-2028 Government Bond
Obligasi Pemerintah – Sukuk	Standard and Poors	BBB-	4.922.963	Bervariasi dari 10-Mar-2023 sampai dengan 15-Jul-2024 / Various dates from 10-Mar-2023 until 15-Jul-2024 Government Bond - Sukuk
			13.308.441	

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.

Seluruh efek-efek memiliki kolektibilitas lancar sesuai peraturan Bank Indonesia.

Tidak ada efek-efek untuk tujuan investasi yang dijaminkan pada tanggal 31 Desember 2023 dan 2022.

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.

All securities are classified as current according to collectability rules set by Bank Indonesia.

There were no investment securities pledged as collateral as of 31 December 2023 and 2022.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

11. EFEK-EFEK UNTUK TUJUAN INVESTASI
(lanjutan)

Mutasi rugi/laba yang belum direalisasi dari perubahan nilai wajar efek-efek untuk tujuan investasi untuk tahun yang berakhir pada tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ December 2022
Saldo awal - sebelum pajak penghasilan tangguhan	(92.605)	465.629
Perubahan nilai wajar periode/tahun berjalan - bersih	33.118	(474.700)
Laba yang direalisasi selama periode/tahun berjalan	(3.840)	(83.534)
Jumlah - sebelum pajak penghasilan tangguhan	(63.327)	(92.605)
Penyesuaian tarif pajak	-	-
Pajak penghasilan tangguhan	13.930	20.371
Saldo akhir - bersih	(49.397)	(72.234)

Mutasi nilai tercatat bruto efek-efek untuk tujuan investasi adalah sebagai berikut:

	31 Desember/December 2023			
	Stage 1	Stage 2	Stage 3	Jumlah / Total
1 Januari 2023	13.308.441	-	-	13.308.441
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-
Perubahan bersih pada eksposur dan pengukuran kembali	5.847.635	-	-	5.847.635
Selisih kurs	-	-	-	-
31 Desember 2023	19.156.076	-	-	19.156.076

	31 Desember/December 2022			
	Stage 1	Stage 2	Stage 3	Jumlah / Total
1 Januari 2022	21.120.592	-	-	21.120.592
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-
Perubahan bersih pada eksposur dan pengukuran kembali	(7.812.151)	-	-	(7.812.151)
Selisih kurs	-	-	-	-
31 Desember 2022	13.308.441	-	-	13.308.441

11. INVESTMENT SECURITIES (continued)

The movement of unrealised loss/gain from the change in fair value of investment securities for the years ended 31 December 2023 and 2022 are as follows:

Beginning balance - before deferred income tax
Changes in fair value for the period/ during the year - net
Realised gain from sale during the period/year - net

Total - before deferred income tax
Tax rate adjustment
Deferred income tax

Ending balance - net

The changes in the gross carrying amount on investment securities are as follows:

January 1, 2023
Transfer to lifetime expected credit loss (stage 2)
Transfer to credit impaired (stage 3)
Transfer to 12 months expected credit losses (stage 1)
Net change in exposure and remeasurement
Exchange rate differences
31 December 2023

January 1, 2022
Transfer to lifetime expected credit loss (stage 2)
Transfer to credit impaired (stage 3)
Transfer to 12 months expected credit losses (stage 1)
Net change in exposure and remeasurement
Exchange rate differences
31 December 2022

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

11. EFEK-EFEK UNTUK TUJUAN INVESTASI
(lanjutan)

Mutasi nilai cadangan kerugian penurunan nilai efek-efek untuk tujuan investasi adalah sebagai berikut:

11. INVESTMENT SECURITIES (continued)

The changes in the allowance for impairment losses on investment securities are as follows:

31 Desember/December 2023					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2023	4.847	-	-	4.847	January 1, 2023
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	295	-	-	295	Net change in exposure and remeasurement
Selisih kurs	-	-	-	-	Exchange rate differences
31 Desember 2023	5.142	-	-	5.142	31 December 2023
31 Desember/December 2022					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2022	5.528	-	-	5.528	January 1, 2022
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(681)	-	-	(681)	Net change in exposure and remeasurement
Selisih kurs	-	-	-	-	Exchange rate differences
31 Desember 2022	4.847	-	-	4.847	31 December 2022

Manajemen Bank berkeyakinan bahwa saldo cadangan kerugian penurunan nilai yang dibentuk adalah cukup untuk menutupi penurunan nilai efek-efek untuk tujuan investasi pada tanggal 31 Desember 2023 dan 2022.

The Bank's management believes that the allowance for impairment losses was adequate to cover impairment on investment securities as of 31 December 2023 and 2022.

12. ASET KEUANGAN DALAM KELOMPOK DIPERDAGANGKAN

Aset keuangan dalam kelompok diperdagangkan terdiri dari:

12. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading consist of the following:

31 Desember/December 2023			
	Nilai nominal/Par value	Nilai tercatat/Carrying value	
Obligasi pemerintah			Government Bonds
Rupiah	973.505	985.274	Rupiah
Dolar Amerika Serikat	156.726	158.492	United States Dollar
	1.130.231	1.143.766	
Sekuritas Bank Indonesia			Securities Bank Indonesia
Rupiah	200.000	190.741	Rupiah
Dolar Amerika Serikat	-	-	United States Dollar
	200.000	190.741	
Obligasi pemerintah - Sukuk			Government Bonds - Sukuk
Rupiah	435.825	428.877	Rupiah
Dolar Amerika Serikat	44.266	41.212	United States Dollar
	480.091	470.089	
Jumlah	1.810.322	1.804.596	Total

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

12. ASET KEUANGAN DALAM KELOMPOK DIPERDAGANGKAN (lanjutan)

Aset keuangan dalam kelompok diperdagangkan terdiri dari (lanjutan):

12. FINANCIAL ASSETS HELD FOR TRADING (continued)

Financial assets held for trading consist of the following (continued):

31 Desember/December 2022		
Nilai nominal/Par value	Nilai tercatat/Carrying value	
Obligasi pemerintah		Government Bonds
Rupiah	1.012.127	Rupiah
Dolar Amerika Serikat	77.262	United States Dollar
	1.089.389	
Obligasi pemerintah - Sukuk		Government Bonds - Sukuk
Rupiah	136.039	Rupiah
Dolar Amerika Serikat	69.898	United States Dollar
	205.937	
Jumlah	1.295.326	Total

Pada tanggal 31 Desember 2023 dan 2022 semua aset keuangan dalam kelompok diperdagangkan merupakan transaksi dengan pihak ketiga.

As of 31 December 2023 and 2022 financial assets held for trading were all made with third parties.

Rincian aset keuangan dalam kelompok diperdagangkan berdasarkan penerbit uang adalah sebagai berikut:

Financial assets held for trading classified according to issuer are as follows:

	31 Desember/ December 2023	31 Desember/ December 2022	
Negara Republik Indonesia	1.804.596	1.248.435	Republic of Indonesia
Jumlah	1.804.596	1.248.435	Total

Rincian aset keuangan dalam kelompok diperdagangkan berdasarkan peringkat adalah sebagai berikut (dinyatakan dalam Rupiah):

Financial assets held for trading classified according to rating are as follows (expressed in Rupiah):

31 Desember/December 2023				
Lembaga pemeringkat/ Credit rating agency	Rating/ Rating	Nilai tercatat/ Carrying value	Jatuh tempo/ Maturity	
Rupiah				Rupiah
Obligasi Pemerintah	Standard and Poors	BBB	985.274	Bervariasi dari 15-Feb-2024 sampai dengan 15-Agu-2051 / Various dates from 15-Feb-2024 until 15-Aug-2051 Government Bond
Sekuritas Rupiah Bank Indonesia	Standard and Poors	BBB	190.741	13-Sep-2024 / 13-Sep-2024 Bank Indonesia Rupiah Securities
Obligasi Pemerintah - Sukuk	Standard and Poors	BBB	428.877	Bervariasi dari 10-Mar-2024 sampai dengan 15-Jun-2047 / Various dates from 10-Mar-2024 until 15-Jun-2047 Government Bond - Sukuk
Mata uang asing				Foreign currency
Obligasi Pemerintah	Standard and Poors	BBB	158.492	Bervariasi dari 15-Jan-2025 sampai dengan 11-Jan-2053 / Various dates from 15-Jan-2025 until 11-Jan-2053 Government Bond
Obligasi Pemerintah - Sukuk	Standard and Poors	BBB	41.212	Bervariasi dari 10-Sep-2024 sampai dengan 23-Jun-2050 / Various dates from 10-Sep-2024 until 23-Jun-2050 Government Bond - Sukuk
			1.804.596	

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

12. ASET KEUANGAN DALAM KELOMPOK DIPERDAGANGKAN (lanjutan)

Rincian aset keuangan dalam kelompok diperdagangkan berdasarkan peringkat adalah sebagai berikut (dinyatakan dalam Rupiah) (lanjutan):

12. FINANCIAL ASSETS HELD FOR TRADING (continued)

Financial assets held for trading classified according to rating are as follows (expressed in Rupiah) (continued):

31 Desember/December 2022					
	Lembaga pemeringkat/ Credit rating agency	Rating/ Rating	Nilai tercatat/ Carrying value	Jatuh tempo/ Maturity	
Rupiah					Rupiah
Obligasi Pemerintah	Standard and Poors	BBB-	983.080	Bervariasi dari 9-Feb-2023 sampai dengan 15-Aug-2051 / Various dates from 9-Feb-2023 until 15-Aug-2051	Government Bond
Mata uang asing					Foreign currency
Obligasi Pemerintah	Standard and Poors	BBB-	70.788	Bervariasi dari 15-Apr-2023 sampai dengan 12-Mar-2051 / Various dates from 15-Apr-2023 until 12-Mar-2051	Government Bond
Rupiah					Rupiah
Obligasi Pemerintah - Sukuk	Standard and Poors	BBB-	128.295	Bervariasi dari 10-Mar-2023 sampai dengan 15-Jun-2047 / Various dates from 10-Mar-2023 until 15-Jun-2047	Government Bond - Sukuk
Mata uang asing					Foreign currency
Obligasi Pemerintah - Sukuk	Standard and Poors	BBB-	66.272	Bervariasi dari 1-Mar-2023 sampai dengan 23-Jun-2030 / Various dates from 1-Mar-2023 until 23-Jun-2030	Government Bond - Sukuk
			1.248.435		

Seluruh aset keuangan dalam kelompok diperdagangkan memiliki kolektibilitas lancar sesuai peraturan Bank Indonesia.

Pada tanggal 31 Desember 2023 dan 2022 semua aset keuangan dalam kelompok diperdagangkan merupakan transaksi dengan pihak ketiga.

Pada tanggal 31 Desember 2022, Aset keuangan dalam kelompok diperdagangkan termasuk obligasi pemerintah dengan nilai tercatat Rp 40.781 (nilai nominal sebesar Rp 40.000) yang sesuai dengan perjanjian, Bank harus membeli kembali obligasi pemerintah tersebut pada tanggal 9 Februari 2023 dan 21 Februari 2023. Jumlah kewajiban pada nilai tercatat efek-efek yang dijual dengan janji dibeli kembali pada laporan posisi keuangan sebesar nol dan Rp 41.554 (Catatan 23) pada tanggal 31 Desember 2023 dan 2022.

All financial assets held for trading are classified as current according to collectability rules set by Bank Indonesia.

As of 31 December 2023 and 2022 financial assets held for trading were all transactions with third parties.

As of 31 December 2022, financial assets held for trading included government bonds with a carrying value of Rp 40,781 (par value of Rp Rp 40,000) according to the agreement. The Bank must buy back the government bonds on 9 February 2023 and 21 February 2023. Total liabilities at carrying amount securities sold under agreements to repurchase on the statement of financial position amounted to nil and Rp 41,554 (Note 23) as of 31 December 2023 and 2022, respectively.

13. TAGIHAN DAN LIABILITAS DERIVATIF

Dalam melakukan usaha bisnis, Bank melakukan transaksi keuangan derivatif seperti kontrak berjangka mata uang asing, swap mata uang asing, swap atas suku bunga dan transaksi spot untuk keperluan pembiayaan, perdagangan dan lindung nilai.

Risiko pasar dari transaksi derivatif timbul sebagai akibat dari adanya perubahan nilai potensial fluktuasi kurs mata uang, sedangkan risiko kredit timbul dalam hal pihak lain tidak dapat memenuhi liabilitasnya kepada Bank.

Jangka waktu kontraktual dari instrumen derivatif Bank tanggal 31 Desember 2023 dan 2022 sebagai berikut:

13. DERIVATIVE RECEIVABLES AND PAYABLES

In the normal course of business, the Bank entered into transactions involving derivative financial instruments such as foreign currency forward contracts, currency swaps, interest rate swaps and spot transactions for financing, trading and hedging purposes.

The market risk of derivative transactions arise from potential changes in value due to fluctuations in foreign exchange rates, while credit risk is the possibility that a loss may occur due to the failure of a counterparty to fulfill its obligations.

According to the terms of the contracts as of 31 December 2023 and 2022 the Bank's derivative instruments have terms as follows (continued):

	31 Desember/ December 2023	31 Desember/ December 2022	
Tagihan derivatif	2 hari sampai 542 hari/ 2 days to 542 days	2 hari sampai 907 hari/ 2 days to 907 days	Derivative receivables
Liabilitas derivatif	2 hari sampai 914 hari/ 2 days to 914 days	2 hari sampai 1.279 hari / 2 day to 1.279 days	Derivative payables

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

13. TAGIHAN DAN LIABILITAS DERIVATIF (lanjutan)

13. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

Rincian tagihan dan liabilitas derivatif pada tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut:

The details of derivative receivables and payables as of 31 December 2023 and 2022 are as follows:

31 Desember/December 2023				Instruments Not designed as hedges Currency forward contracts Interest rate swap contracts Currency spot contracts Cross-currency swap contracts
Nilai wajar/Fair values				
Instrumen Tidak dikategorikan sebagai lindung nilai	Jumlah nosional/ Notional amount	Tagihan derivative/ Derivative receivables	Liabilitas derivative/ Derivative payables	
Kontrak valuta berjangka	36.578.427	225.571	169.292	
Kontrak swap suku bunga	3.744.137	34.392	65.745	
Kontrak tunai valuta asing	2.865.234	2.813	3.854	
Kontrak cross currency swap	402.518	-	40.168	
		262.776	279.059	

31 Desember/December 2022				Instruments Not designed as hedges Currency forward contracts Interest rate swap contracts Cross-currency swap contracts Currency spot contracts
Nilai wajar/Fair values				
Instrumen Tidak dikategorikan sebagai lindung nilai	Jumlah nosional/ Notional amount	Tagihan derivative/ Derivative receivables	Liabilitas derivative/ Derivative payables	
Kontrak valuta berjangka	47.194.987	156.337	231.336	
Kontrak swap suku bunga	4.951.988	83.172	140.988	
Kontrak cross currency swap	1.649.106	78.393	82.389	
Kontrak tunai valuta asing	3.164.335	6.344	11.646	
		324.246	466.359	

Kolektibilitas tagihan derivatif pada tanggal 31 Desember 2023 dan 2022, berdasarkan kolektibilitas Bank Indonesia adalah sebagai berikut:

The collectability of the derivative receivables as of 31 December 2023 and 2022, based on Bank Indonesia's collectability is as follows:

	31 Desember/ December 2023	31 Desember/ December 2022	Derivative receivables Current Special attention
Tagihan derivatif			
Lancar	262.732	324.241	
Dalam perhatian khusus	44	5	
	262.776	324.246	

14. EFEK YANG DIBELI DENGAN JANJI DIJUAL KEMBALI

14. SECURITIES PURCHASED WITH AGREEMENTS TO RESELL

Efek-efek yang dibeli dengan janji dijual kembali terdiri dari:

Securities purchased with agreement to sell consist of the following:

31 Desember/December 2023							
Pihak lawan/ Counterparty	Jenis efek/ Security type	Tanggal dimulai/ Starting date	Tanggal jatuh tempo/ Maturity date	Tingkat suku bunga/ Interest rate	Nilai jual kembali/ Resale value	Pendapatan bunga yang belum direalisasi/ Unrealised interest income	Nilai bersih/ Carrying amount
Bank Indonesia	VR037	16-Jun-23	14-Jun-24	6,36	239.498	6.824	232.674
Bank Indonesia	VR043	23-Jun-23	21-Jun-24	6,38	248.574	7.394	241.180
Bank Indonesia	VR063	18-Aug-23	16-Aug-24	6,39	499.917	19.527	480.390
Bank Indonesia	VR037	16-Jun-23	14-Jun-24	6,38	239.519	6.845.00	232.674
Bank Indonesia	VR073	5-May-23	3-May-24	6,40	95.098	2.051	93.047
Bank Indonesia	VR073	5-May-23	3-May-24	6,45	95.114	2.067	93.047
Bank Indonesia	VR069	9-Jun-23	7-Jun-24	6,45	223.556	6.192	217.364
Bank Indonesia	VR072	14-Jul-23	12-Jul-24	6,39	287.409	9.567	277.842
Bank Indonesia	VR064	21-Jul-23	19-Jul-24	6,39	494.808	17.045	477.763
Bank Indonesia	VR083	3-Feb-23	2-Feb-24	6,70	235.485	1.437	234.048
Bank Indonesia	VR037	16-Jun-23	14-Jun-24	6,35	478.973	13.626	465.347
Bank Indonesia	VR037	16-Jun-23	14-Jun-24	6,40	479.080	13.733	465.347
Bank Indonesia	VR093	26-May-23	24-May-24	6,46	958.948	24.319	934.629
Bank Indonesia	VR093	26-May-23	24-May-24	6,48	959.023	24.394	934.629
Bank Indonesia	VR048	10-Feb-23	9-Feb-24	6,70	480.692	3.552	477.140
Bank Indonesia	VR049	17-Feb-23	16-Feb-24	6,70	281.638	2.442	279.196
Bank Indonesia	VR046	24-Mar-23	22-Mar-24	6,45	488.226	7.069	481.157
Bank Indonesia	VR071	7-Jul-23	5-Jul-24	6,38	245.329	7.870	237.459
Bank Indonesia	VR071	7-Jul-23	5-Jul-24	6,40	245.353	7.894	237.459
Bank Indonesia	VR065	13-Jan-23	12-Jan-24	6,67	465.656	1.033	464.623
Bank Indonesia	VR084	10-Mar-23	8-Mar-24	6,70	938.023	11.723	926.300
Bank Indonesia	VR094	19-May-23	17-May-24	6,46	286.920	6.933	279.987
Bank Indonesia	VR094	19-May-23	17-May-24	6,48	191.295	4.637	186.658
Bank Indonesia	VR070	27-Jan-23	26-Jan-24	6,70	479.332	2.308	477.024
Bank Indonesia	VR070	27-Jan-23	26-Jan-24	6,69	479.329	2.305	477.024
Bank Indonesia	VR085	3-Mar-23	1-Mar-24	6,70	467.744	5.251	462.493
Bank Indonesia	VR073	5-May-23	3-May-24	6,48	95.124	2.077	93.047
Bank Indonesia	VR077	12-May-23	10-May-24	6,48	238.367	5.491	232.876
Bank Indonesia	VR077	12-May-23	10-May-24	6,46	238.350	5.474	232.876
Bank Indonesia	VR072	9-Jun-23	7-Jun-24	6,40	289.063	7.946	281.115
Bank Indonesia	VR072	9-Jun-23	7-Jun-24	6,42	192.725	5.314	187.411
Bank Indonesia	VR043	23-Jun-23	21-Jun-24	6,39	248.586	7.406	241.180
							11.635.006

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

14. EFEK YANG DIBELI DENGAN JANJI DIJUAL KEMBALI (lanjutan)

14. SECURITIES PURCHASED WITH AGREEMENTS TO RESELL (continued)

31 Desember/December 2022

Pihak lawan/ Counterparty	Jenis efek/ Security type	Tanggal dimulai/ Starting date	Tanggal jatuh tempo/ Maturity date	Tingkat suku bunga/ Interest rate	Nilai jual kembali/ Resale value	Pendapatan bunga yang belum direalisasi/ Unrealised interest income	Nilai bersih/ Carrying amount
Bank Indonesia	FR0098	29-Dec-22	30-Mar-23	6,25	1.889.994	28.759	1.861.235
Bank Indonesia	VR064	30-Dec-22	29-Sep-23	6,62	1.498.726	71.392	1.427.334
Bank Indonesia	VR034	30-Dec-22	06-Jan-23	5,5	957.416	877	956.539
Bank Indonesia	VR045	30-Dec-22	30-Jun-23	6,48	954.575	30.119	924.456
Bank Indonesia	VR072	29-Dec-22	26-Jan-23	6,02	692.017	2.996	689.021
Bank Indonesia	FR0052	2-Dec-22	2-Jun-23	6,35	593.980	15.609	578.371
Bank Indonesia	FR0072	3-Oct-22	02-Jan-23	5,05	504.141	141	504.000
Bank Indonesia	VR036	30-Dec-22	13-Jan-23	5,76	479.265	995	478.270
Bank Indonesia	VR049	30-Dec-22	31-Mar-23	6,25	475.100	7.309	467.791
Bank Indonesia	VR065	25-Nov-22	25-Aug-23	6,53	486.125	20.037	466.088
Bank Indonesia	VR077	25-Nov-22	24-Nov-23	6,66	494.018	28.262	465.756
Bank Indonesia	VR086	25-Nov-22	26-May-23	6,35	477.734	11.994	465.740
Bank Indonesia	VR073	21-Nov-22	20-Feb-23	6,05	469.501	3.990	465.511
Bank Indonesia	VR061	21-Oct-22	20-Jan-23	5,55	466.566	1.434	465.132
Bank Indonesia	VR083	9-Dec-22	08-Sep-23	6,53	484.436	21.095	463.341
Bank Indonesia	VR041	9-Dec-22	8-Dec-23	6,65	492.430	29.261	463.169
Bank Indonesia	FR0093	2-Dec-22	01-Sep-23	6,53	470.415	19.938	450.477
Bank Indonesia	FR0089	29-Nov-22	28-Feb-23	6,06	445.286	4.379	440.907
Bank Indonesia	FR0083	2-Dec-22	1-Dec-23	6,66	254.426	14.848	239.578
Bank Indonesia	FR0083	2-Dec-22	1-Dec-23	6,65	254.404	14.826	239.578
Bank Indonesia	FR0083	2-Dec-22	1-Dec-23	6,64	254.381	14.803	239.578
Bank Indonesia	FR0083	2-Dec-22	1-Dec-23	6,63	254.359	14.781	239.578
Bank Indonesia	FR0096	23-Dec-22	20-Jan-23	6,03	239.409	799	238.610
Bank Indonesia	VR057	29-Dec-22	26-Jan-23	6,02	238.237	1.031	237.206
Bank Indonesia	VR068	23-Dec-22	06-Jan-23	5,75	232.216	222	231.994
Bank Indonesia	VR068	23-Dec-22	06-Jan-23	5,74	232.216	222	231.994
Bank Rakyat Indonesia	FR0090	23-Dec-22	9-Jan-23	5,00	106.109	132	105.977
							14.037.231

Seluruh efek yang dibeli dengan janji dijual kembali berlokasi di Jakarta.

All securities purchased with agreements to resell are located in Jakarta.

Seluruh efek yang dibeli dengan janji dijual kembali pada tanggal 31 Desember 2023 dan 2022 diklasifikasikan sebagai lancar berdasarkan kolektibilitas Bank Indonesia.

All securities purchased with agreements to resell as of 31 December 2023 and 2022 are classified as current based on Bank Indonesia collectability.

Manajemen Bank berkeyakinan bahwa efek-efek yang dibeli dengan janji dijual kembali tidak mengalami penurunan nilai dan tidak ada penyisihan kerugian penurunan nilai yang perlu diakui pada tanggal 31 Desember 2023 dan 2022.

The Bank's management believes that securities purchased with agreements to resell were not impaired and there was no allowance for impairment losses to be recognised as of 31 December 2023 and 2022.

15. WESEL EKSPOR

15. EXPORT BILLS

Wesel ekspor berdasarkan jenis adalah sebagai berikut:

Export bills classified by type is as follows:

	31 Desember/ December 2023	31 Desember/ December 2022	
Rupiah			Rupiah
Wesel Ekspor	508.236	151.060	Export Bills
Surat Kredit Berdokumen	3.662.555	383.944	Domestic letters-of-credit
Dalam Negeri (SKBDN)			(SKBDN)
Lainnya (Tagihan atas			Others (Receivables for
negosiasi letters-of-credit)	14.185	182.198	letters-of-credit negotiations)
	4.184.976	717.202	
Mata uang asing			Foreign currencies
Wesel Ekspor	229.900	1.058.240	Export Bills
Surat Kredit Berdokumen Dalam			Domestic letters-of-credit
Negeri (SKBDN)	882.807	326.101	(SKBDN)
Lainnya (Tagihan atas			Others (Receivables for
negosiasi letters-of-credit)	64.064	58.376	letters-of-credit negotiations)
	1.176.771	1.442.717	
Jumlah	5.361.747	2.159.919	Subtotal
Cadangan kerugian			Allowance for
penurunan nilai	(507)	(96.445)	impairment losses
Jumlah	5.361.240	2.063.474	Total

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

15. WESEL EKSPOR (lanjutan)

Wesel ekspor berdasarkan mata uang adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ December 2022
Rupiah	4.184.976	717.202
Mata uang asing	1.176.771	1.442.717
Jumlah	5.361.747	2.159.919
Cadangan kerugian penurunan nilai	(507)	(96.445)
	5.361.240	2.063.474

Wesel ekspor pada tanggal 31 Desember 2023 dan 2022 berdasarkan kolektibilitas Bank Indonesia adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ December 2022
Lancar	5.361.522	2.029.115
Dalam perhatian khusus	225	130.804
Jumlah	5.361.747	2.159.919
Cadangan kerugian penurunan nilai	(507)	(96.445)
	5.361.240	2.063.474

Mutasi nilai tercatat bruto wesel ekspor adalah sebagai berikut:

31 Desember/December 2023					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2023	2.017.019	12.096	130.804	2.159.919	January 1, 2023
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	3.328.620	(12.096)	(130.579)	3.185.945	Net change in exposure and remeasurement
Selisih kurs	15.883	-	-	15.883	Exchange rate differences
31 Desember 2023	5.361.522	-	225	5.361.747	31 December 2023
31 Desember/December 2022					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2022	1.853.292	-	-	1.853.292	January 1, 2022
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(3.875)	3.875	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	(120.254)	-	120.254	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	212.742	7.771	5.679	226.192	Net change in exposure and remeasurement
Selisih kurs	75.114	450	4.871	80.435	Exchange rate differences
31 Desember 2022	2.017.019	12.096	130.804	2.159.919	31 December 2022

15. EXPORT BILLS (continued)

Export bills classified by currency is as follows:

Export bills as of 31 December 2023 and 2022 based on Bank Indonesia's collectability is as follows:

Movement in the gross carrying amount for export bills are as follows:

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

15. WESEL EKSPOR (lanjutan)

Perubahan cadangan kerugian penurunan nilai untuk wesel ekspor adalah sebagai berikut:

31 Desember/December 2023				
	Stage 1	Stage 2	Stage 3	Jumlah / Total
1 Januari 2023	127	34	96.284	96.445
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-
Transfer ke kerugian kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-
Perubahan bersih pada eksposur dan pengukuran kembali	157	(34)	(96.058)	(95.935)
Selisih kurs	(2)	-	(1)	(3)
31 Desember 2023	282	-	225	507
31 Desember/December 2022				
	Stage 1	Stage 2	Stage 3	Jumlah / Total
1 Januari 2022	16.780	-	-	16.780
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(35)	35	-	-
Transfer ke kerugian kredit yang mengalami penurunan nilai (stage 3)	(1.089)	-	1.089	-
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-
Perubahan bersih pada eksposur dan pengukuran kembali	(15.529)	(1)	95.166	79.636
Selisih kurs	-	-	29	29
31 Desember 2022	127	34	96.284	96.445

Manajemen Bank berkeyakinan bahwa saldo cadangan kerugian penurunan nilai yang dibentuk adalah cukup untuk menutupi penurunan nilai wesel ekspor pada tanggal 31 Desember 2023 dan 2022.

15. EXPORT BILLS (continued)

Movement in the allowance for impairment losses are as follows:

January 1, 2023
Transfer to lifetime expected credit loss (stage 2)

Transfer to credit impaired (stage 3)
Transfer to 12 months expected credit losses (stage 1)
Net change in exposure and remeasurement
Exchange rate differences
31 December 2023

January 1, 2022
Transfer to lifetime expected credit loss (stage 2)

Transfer to credit impaired (stage 3)
Transfer to 12 months expected credit losses (stage 1)
Net change in exposure and remeasurement
Exchange rate differences
31 December 2022

The Bank's management believes that the allowance for impairment losses were adequate to cover impairment on export bills as of 31 December 2023 and 2022.

16. TAGIHAN DAN UTANG AKSEPTASI

Tagihan dan liabilitas akseptasi berdasarkan jenis dan mata uang adalah sebagai berikut:

31 Desember/December 2023			
	Tagihan akseptasi/ Acceptance receivables	Utang akseptasi/ Acceptance Payables	
Rupiah	372.298	(372.298)	Rupiah
Mata uang asing	1.169.519	(1.169.519)	Foreign currencies
Jumlah	1.541.817	(1.541.817)	Total
Cadangan kerugian penurunan nilai	(3.687)	-	Allowance for impairment losses
Jumlah	1.538.130	(1.541.817)	Total
31 Desember/December 2022			
	Tagihan akseptasi/ Acceptance receivables	Utang akseptasi/ Acceptance Payables	
Rupiah	910.168	(910.168)	Rupiah
Mata uang asing	1.185.106	(1.185.106)	Foreign currencies
Jumlah	2.095.274	(2.095.274)	Total
Cadangan kerugian penurunan nilai	(33.612)	-	Allowance for impairment losses
Jumlah	2.061.662	(2.095.274)	Total

Kolektibilitas tagihan akseptasi pada tanggal 31 Desember 2023 dan 2022 berdasarkan kolektibilitas Bank Indonesia adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ December 2022
Lancar	1.522.514	2.061.662
Dalam perhatian khusus	19.303	-
Jumlah	1.541.817	2.061.662

The collectability of acceptance receivables as of 31 December 2023 and 2022 based on Bank Indonesia collectibility is as follows:

Current
Special attention
Total

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

16. TAGIHAN DAN UTANG AKSEPTASI (lanjutan)

Mutasi nilai tercatat bruto tagihan akseptasi adalah sebagai berikut:

16. ACCEPTANCE RECEIVABLES AND PAYABLES (continued)

The changes in the gross carrying amount for acceptance receivables are as follows:

31 Desember/December 2023					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2023	1.357.934	737.340	-	2.095.274	January 1, 2023
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	98.156	(654.925)	3.430	(553.339)	Net change in exposure and remeasurement
Selisih kurs	(112)	(6)	-	(118)	Exchange rate differences
31 Desember 2023	1.455.978	82.409	3.430	1.541.817	31 December 2023

31 Desember/December 2022					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2022	1.931.030	671.178	-	2.602.208	January 1, 2022
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(181.796)	181.796	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	1.902	(1.902)	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(450.059)	(144.604)	-	(594.663)	Net change in exposure and remeasurement
Selisih kurs	56.857	30.872	-	87.729	Exchange rate differences
31 Desember 2022	1.357.934	737.340	-	2.095.274	31 December 2022

Mutasi nilai cadangan kerugian penurunan nilai efek-efek untuk tagihan akseptasi adalah sebagai berikut:

The changes in the allowance for impairment losses on acceptance receivables are as follow:

31 Desember/December 2023					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2023	810	32.802	-	33.612	January 1, 2023
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	151	(32.675)	2.596	(29.928)	Net change in exposure and remeasurement
Selisih kurs	2	1	-	3	Exchange rate differences
31 Desember 2023	963	128	2.596	3.687	31 December 2023

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

16. TAGIHAN DAN UTANG AKSEPTASI (lanjutan)

Mutasi nilai cadangan kerugian penurunan nilai efek-efek untuk tagihan akseptasi adalah sebagai berikut (lanjutan):

16. ACCEPTANCE RECEIVABLES AND PAYABLES (continued)

The changes in the allowance for impairment losses on acceptance receivables are as follow (continued):

	31 Desember/December 2022				
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
1 Januari 2022	1.223	3.082	-	4.305	January 1, 2022
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(407)	407	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	4	(4)	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	281	28.930	-	29.211	Net change in exposure and remeasurement
Selisih kurs	(291)	387	-	96	Exchange rate differences
31 Desember 2022	810	32.802		33.612	31 December 2022

Manajemen Bank berkeyakinan bahwa saldo cadangan kerugian penurunan nilai yang dibentuk adalah cukup untuk menutupi penurunan nilai tagihan akseptasi pada tanggal 31 Desember 2023 dan 2022.

The Bank's management believes that the allowance for impairment losses was adequate to cover impairment on acceptance receivables as of 31 December 2023 and 2022.

17. KREDIT YANG DIBERIKAN KEPADA NASABAH

Kredit yang diberikan kepada nasabah pada biaya perolehan diamortisasi:

a. Berdasarkan jenis kredit

17. LOANS TO CUSTOMERS

Loans to customers at amortised cost:

a. By type of loan

	31 Desember/ December 2023	31 Desember/ December 2022	
Rupiah			Rupiah
Modal kerja	24.359.743	24.843.790	Working capital
Investasi	5.688.736	7.080.195	Investment
Konsumsi	3.024.960	3.282.772	Consumer
Karyawan	568.420	623.838	Employee
Jumlah - Rupiah	33.641.859	35.830.595	Total - Rupiah
Mata uang asing			Foreign currencies
Modal kerja	16.326.056	17.857.825	Working capital
Investasi	4.471.582	2.668.996	Investment
Konsumsi	17.001	3.752	Consumer
Jumlah - valuta asing	20.814.639	20.530.573	Total - foreign currencies
Jumlah kredit yang diberikan kepada nasabah	54.456.498	56.361.168	Total loans to customers
Cadangan kerugian penurunan nilai	(2.197.595)	(2.827.043)	Allowance for impairment losses
Jumlah kredit yang diberikan kepada nasabah - bersih	52.258.903	53.534.125	Total loans to customers - net

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

17. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)

17. LOANS TO CUSTOMERS (continued)

b. Berdasarkan sektor ekonomi dan klasifikasi
Bank Indonesiab. By economic sector and Bank Indonesia
classification

31 Desember/ December 2023							
	Lancar/ Current	Dalam perhatian khusus/ Special mention	Kurang lancar/ Substandard	Diragukan/ Doubtful	Macet/ Loss	Cadangan kerugian penurunan nilai/ Allowance for impairment losses	Jumlah/ Total
Rupiah							
Perindustrian	6.411.702	165.697	11.511	2.605	148.679	(176.360)	6.563.834
Perdagangan, restoran dan hotel	6.209.774	74.579	156	-	215.841	(165.139)	6.335.211
Pengangkutan, pergudangan dan jasa komunikasi	230.529	-	-	2.779	-	(2.846)	230.462
Konstruksi	410.745	4.488	976.877	-	3.387	(873.644)	521.853
Jasa-jasa usaha	10.988.452	142.429	-	359	274.205	(281.224)	11.124.221
Jasa-jasa sosial dan masyarakat	3.161.155	-	-	-	1.726	(2.225)	3.160.656
Pertanian, perkebunan dan sarana	221.888	-	-	-	5.506	(4.891)	222.503
perkebunan	354.062	29.346	-	-	-	(743)	382.665
Pertambangan	3.323.971	135.271	30.320	18.839	84.983	(169.223)	3.424.161
Lainnya	31.312.278	551.810	1.018.864	24.582	734.327	(1.676.295)	31.965.566
Mata uang asing							
Perindustrian	15.594.202	-	-	-	119.933	(116.643)	15.597.492
Perdagangan, restoran dan hotel	936.729	552.433	-	-	17.908	(386.713)	1.120.357
Pengangkutan, pergudangan dan jasa komunikasi	-	-	-	-	-	-	-
Konstruksi	107.779	321.797	-	-	-	(415)	429.161
Jasa-jasa usaha	496.793	-	-	20.442	-	(15.239)	501.996
Pertanian, perkebunan dan sarana	521.958	-	-	-	-	(235)	521.723
perkebunan	2.107.664	-	-	-	-	(2.036)	2.105.628
Pertambangan	16.999	-	-	-	-	(19)	16.980
Lainnya	19.782.124	874.230	-	20.442	137.841	(521.300)	20.293.337
Jumlah	51.094.402	1.426.040	1.018.864	45.024	872.168	(2.197.595)	52.258.903
31 Desember/ December 2022							
	Lancar/ Current	Dalam perhatian khusus/ Special mention	Kurang lancar/ Substandard	Diragukan/ Doubtful	Macet/ Loss	Cadangan kerugian penurunan nilai/ Allowance for impairment losses	Jumlah/ Total
Rupiah							
Perindustrian	10.088.473	406.610	-	-	511.752	(615.716)	10.391.119
Perdagangan, restoran dan hotel	5.484.075	21.759	11.080	997	412.660	(375.981)	5.554.590
Pengangkutan, pergudangan dan jasa komunikasi	237.885	1.999	-	3.186	-	(5.346)	237.724
Konstruksi	1.616.784	-	-	-	3.387	(30.694)	1.589.477
Jasa-jasa usaha	10.254.160	38.320	1.183	-	274.205	(284.299)	10.283.569
Jasa-jasa sosial dan masyarakat	881.576	5.969	-	-	-	(963)	886.582
Pertanian, perkebunan dan sarana	17.099	-	-	-	20.241	(15.019)	22.321
perkebunan	1.630.587	-	-	-	-	(1.586)	1.629.001
Pertambangan	3.642.695	164.156	31.238	23.247	45.272	(243.634)	3.662.974
Lainnya	33.853.334	638.813	43.501	27.430	1.267.517	(1.573.238)	34.257.357
Mata uang asing							
Perindustrian	14.138.126	-	6.119	-	825.205	(806.829)	14.162.621
Perdagangan, restoran dan hotel	1.199.537	562.659	-	-	26.222	(422.902)	1.365.516
Pengangkutan, pergudangan dan jasa komunikasi	118.329	-	-	-	-	(152)	118.177
Konstruksi	568.019	-	-	-	-	(735)	567.284
Jasa-jasa usaha	536.256	-	30.662	-	-	(11.399)	555.519
Pertanian, perkebunan dan sarana	321.469	-	-	-	-	(8.952)	312.517
perkebunan	2.194.218	-	-	-	-	(2.828)	2.191.390
Pertambangan	3.752	-	-	-	-	(8)	3.744
Lainnya	19.079.706	562.659	36.781	-	851.427	(1.253.805)	19.276.768
Jumlah	52.933.040	1.201.472	80.282	27.430	2.118.944	(2.827.043)	53.534.125

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

17. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)

17. LOANS TO CUSTOMERS (continued)

c. Berdasarkan stage

c. By stage

31 Desember/December 2023					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
Saldo awal	47.377.854	6.056.775	2.926.539	56.361.168	Beginning balance
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(287.908)	287.931	(23)	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	(297.595)	(40.622)	338.217	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	848.646	(836.660)	(11.986)	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	2.244.470	(3.297.394)	646.776	(406.148)	Net change in exposure and remeasurement
Penghapusan	-	-	(1.269.993)	(1.269.993)	Written-off
Selisih kurs	(208.471)	(9.069)	(10.989)	(228.529)	Exchange rate difference
Saldo akhir	49.676.996	2.160.961	2.618.541	54.456.498	Ending balance

31 Desember/December 2022					
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
Saldo awal	28.828.205	22.454.193	3.233.425	54.515.823	Beginning balance
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(1.117.739)	1.118.053	(314)	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	(44.352)	(73.378)	117.730	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	4.294.301	(4.291.476)	(2.825)	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	13.748.989	(13.270.523)	(262.710)	215.756	Net change in exposure and remeasurement
Penghapusan	-	-	(300.158)	(300.158)	Written-off
Selisih kurs	1.668.450	119.906	141.391	1.929.747	Exchange rate difference
Saldo akhir	47.377.854	6.056.775	2.926.539	56.361.168	Ending balance

d. Kredit modal kerja terdiri dari pinjaman rekening koran dan pinjaman dengan surat sanggup.

d. Working capital loans consist of demand deposits loans and loans with promissory notes.

Kredit investasi adalah pemberian fasilitas kepada debitur yang tujuan penggunaannya untuk investasi dan jangka waktunya disesuaikan dengan jangka waktu investasinya. Kredit investasi diberikan dalam bentuk *term-loan*.

Investment loans are the facilities given to debtors for investment purposes with terms depend on the investment period. Investment loans consist of *term-loans*.

Kredit konsumsi terdiri dari kredit pemilikan rumah, kredit kendaraan bermotor, *personal loans*, dan kartu kredit.

Consumer loans consist of housing, motor vehicle ownership loans, personal loans, and credit cards.

e. Kredit sindikasi merupakan kredit yang diberikan kepada debitur di bawah perjanjian pembiayaan bersama dengan bank-bank lain. Partisipasi Bank dalam pinjaman sindikasi adalah berkisar antara 2,50% - 30,00% pada tanggal 31 Desember 2023 dan 1,08% - 30,00% pada tanggal 31 Desember 2022.

e. The syndicated loans represent loans granted to debtors under syndicated loan agreements with other banks. The Bank's participation in syndicated loans is ranging from 2.50% - 30.00% as of 31 December 2023 and 1.08% - 30.00% as of 31 December 2022.

f. Pada tanggal-tanggal 31 Desember 2023 dan 2022, Bank melakukan negosiasi kembali kredit dengan perpanjangan jangka waktu serta mengubah persyaratan pokok dan/atau bunga.

f. As of 31 December 2023 and 2022, the Bank renegotiated loans through the extension of the period and modification of terms on principal and/or interest.

Program restrukturisasi terkait dengan COVID-19 juga dikategorikan sebagai kredit yang direnegosiasi.

COVID-19 restructuring program was also categorised as renegotiated loans.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

17. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)

Berdasarkan jenis kredit yang telah dinegosiasi:

	31 Desember/ December 2023	31 Desember/ December 2022
Modal kerja	444.326	176.505
Investasi	442.532	587.564
Konsumsi	61.601	85.989
	<u>948.459</u>	<u>850.058</u>
Penyisihan kerugian penurunan nilai	<u>(665.641)</u>	<u>(396.892)</u>
Jumlah kredit yang telah dinegosiasikan kembali - bersih	<u>282.818</u>	<u>453.166</u>

By type of renegotiated loans:

Working capital
Investment
Consumer

Allowance for impairment losses

Total of renegotiated loans - net

Berdasarkan klasifikasi Bank Indonesia:

	31 Desember/ December 2023	31 Desember/ December 2022
Lancar	171.989	341.334
Dalam perhatian khusus	20.242	32.289
Kurang lancar	18.947	46.519
Diragukan	24.041	6.149
Macet	713.240	423.767
	<u>948.459</u>	<u>850.058</u>
Penyisihan kerugian penurunan nilai	<u>(665.641)</u>	<u>(396.892)</u>
Jumlah kredit yang telah dinegosiasikan kembali - bersih	<u>282.818</u>	<u>453.166</u>

By Bank Indonesia classification:

Current
Special mention
Substandard
Doubtful
Loss

Allowance for impairment losses

Total of renegotiated loans - net

g. Pada tanggal 31 Desember 2023 dan 2022, Bank telah memenuhi ketentuan Batas Maksimum Pemberian Kredit (BMPK), baik untuk pihak-pihak berelasi maupun untuk pihak ketiga.

g. As of 31 December 2023 and 2022, the Bank complied with Legal Lending Limit (LLL) requirements for both related parties and third parties.

h. Rasio Non-Performing Loan (NPL) pada tanggal 31 Desember 2023 dan 2022 masing-masing adalah sebagai berikut:

h. As of 31 December 2023 and 2022 the Non-Performing Loan (NPL) ratios are as follows:

	31 Desember/ December 2023	31 Desember/ December 2022	
NPL bruto	3,57%	3,95%	Gross NPL
NPL neto	0,78%	0,64%	Net NPL

i. Pada tanggal 31 Desember 2023 dan 2022, kredit yang diberikan yang dijamin dengan jaminan tunai sebesar Rp 2.027.480 dan Rp 2.093.817.

i. As of 31 December 2023 and 2022, loans collateralised by cash collateral amounted to Rp 2,027,480 and Rp 2,093,817.

j. Mutasi nilai cadangan kerugian penurunan nilai kredit yang diberikan kepada nasabah adalah sebagai berikut:

j. The changes in the allowance for impairment losses on loans to customers are as follows:

	31 Desember/December 2023				
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
Saldo awal	141.188	346.951	2.338.904	2.827.043	Beginning balance
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(1.565)	1.579	(14)	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	(578)	(9.427)	10.005	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	89.152	(84.550)	(4.602)	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(145.516)	(176.277)	911.821	590.028	Net change in exposure and remeasurement
Penghapusan	-	-	(1.269.993)	(1.269.993)	Written-off
Pemulihan	-	-	94.943	94.943	Recovery
Selisih kurs	(16)	25.252	(26.087)	(851)	Exchange rate difference
Efek diskonto	-	-	(43.575)	(43.575)	Discount effects
Saldo akhir	<u>82.665</u>	<u>103.528</u>	<u>2.011.402</u>	<u>2.197.595</u>	Ending balance

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

17. KREDIT YANG DIBERIKAN KEPADA NASABAH
(lanjutan)

- j. Mutasi nilai cadangan kerugian penurunan nilai kredit yang diberikan kepada nasabah adalah sebagai berikut (lanjutan):

	31 Desember/December 2022				
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
Saldo awal	175.639	497.078	2.514.966	3.187.683	Beginning balance
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(44.877)	44.944	(67)	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	(9.181)	(10.602)	19.783	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	155.041	(154.698)	(343)	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(135.995)	14.407	(145.552)	(267.140)	Net change in exposure and remeasurement
Penghapusan	-	-	(300.158)	(300.158)	Written-off
Pemulihan	-	-	118.666	118.666	Recovery
Selisih kurs	561	(44.178)	164.128	120.511	Exchange rate difference
Efek diskonto	-	-	(32.519)	(32.519)	Discount effects
Saldo akhir	141.188	346.951	2.338.904	2.827.043	Ending balance

Manajemen Bank berkeyakinan bahwa penyisihan kerugian penurunan nilai yang dibentuk adalah cukup untuk menutupi penurunan nilai kredit yang diberikan kepada nasabah.

The Bank's management believes that the allowance for impairment losses provided is adequate to cover any impairment on loans to customers.

- k. Bank memiliki perjanjian pembiayaan dengan beberapa lembaga pembiayaan sebesar Rp 4.845.670 dan Rp 3.485.000 masing-masing pada tanggal 31 Desember 2023 dan 2022.

- k. The Bank has financing arrangements with several multi-finance companies amounting to Rp 4,845,670 and Rp 3,485,000 as of 31 December 2023 and 2022, respectively.

- l. Bank memiliki agunan atas pinjaman yang diberikan dalam bentuk kas, deposito, agunan yang diikat dengan hipotik, garansi serta jaminan dalam bentuk aset lainnya.

- l. The Bank holds collateral against loans in the form of cash, deposits, registered mortgages, guarantees and other assets held as collaterals.

18. ASET LAIN-LAIN

Pada tanggal 31 Desember 2023 dan 2022, aset lain-lain Bank adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ December 2022	
Transaksi dalam proses penyelesaian	1.266.181	824.383	Transaction in process of settlement
Pendapatan yang masih akan diterima	1.140.044	680.722	Accrued income
Agunan yang diambil alih - setelah dikurangi dengan provisi sebesar Rp 5.708 pada 31 Desember 2023 dan Rp 5.228 pada 31 Desember 2022	89.595	83.127	Foreclosed assets - net of provisions amounting Rp 5,708 as of 31 December 2023 and Rp 5,228 as of 31 December 2022
Tagihan transaksi Letter-of-Credit	28.751	27.016	Letter-of-Credit transactions
Beban dibayar dimuka	19.225	19.864	Prepayments
Lainnya	81.063	72.509	Others
Jumlah	2.624.859	1.707.621	Total

Pendapatan yang masih akan diterima terutama berasal dari piutang bunga kredit yang diberikan kepada nasabah dan efek-efek untuk tujuan investasi.

Accrued income is mostly comprised from accrued interest of loans to customers and securities for investment purpose.

17. LOANS TO CUSTOMERS (continued)

- j. The changes in the allowance for impairment losses on loans to customers are as follows (continued):

18. OTHER ASSETS

As of 31 December 2023 and 2022, Bank's other assets are as follows:

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

18. ASET LAIN-LAIN (lanjutan)

Transaksi dalam proses penyelesaian sebagian besar merupakan piutang penjualan efek-efek yang masih diterima dan piutang dari ATM Bersama, ATM Prima serta piutang kartu kredit dan kartu debit yang sehubungan dengan transaksi kartu kredit dan kartu debit.

Agunan yang diambil alih

Pada tanggal 31 Desember 2023 dan 2022, rincian saldo cadangan kerugian penurunan nilai aset yang diambil alih adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ December 2022
Saldo awal	5.228	69.392
Provisi selama tahun berjalan	480	2.045
Penjualan	-	(66.209)
Saldo akhir	5.708	5.228

Manajemen Bank berkeyakinan bahwa saldo provisi yang dibentuk adalah cukup untuk menutupi penurunan nilai agunan yang diambil alih pada tanggal 31 Desember 2023 dan 2022.

18. OTHER ASSETS (continued)

Transactions in the process of settlement are mostly comprised of receivable from sale of marketable securities and receivable from ATM Bersama, ATM Prima, also receivable from credit cards and debit cards that related with credit cards and debit cards transaction.

Foreclosed assets

As of 31 December 2023 and 2022, details for the balance of allowance for impairment losses foreclosed assets are as follows:

Beginning balance
Provision during the year
Sales
Ending balance

The Bank's management believes that the allowance for provisions was adequate to cover impairment on foreclosed assets as of 31 December 2023 and 2022.

19. ASET TETAP

Rincian aset tetap terdiri dari:

19. PROPERTIES AND EQUIPMENTS

The fixed assets consist of the following:

31 Desember/December 2023						
Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Reklasifikasi/ Reclassifications	Saldo akhir/ Closing balance		
Harga perolehan						Cost
Tanah	130.721	-	(371)	(7.792)	122.558	Land
Bangunan	32.692	-	(564)	(7.024)	25.104	Buildings
Perbaikan gedung	472.460	39	(78.759)	26.842	420.582	Buildings improvement
Perabot dan perlengkapan kantor	866.711	644	(122.560)	79.690	824.485	Office furniture and fixtures
	1.502.584	683	(202.254)	91.716	1.392.729	
Aset dalam penyelesaian	45.843	84.702	(1.619)	(106.684)	22.242	Construction in progress
Aset hak guna	599.958	64.142	(123.026)	-	541.074	Right-of-use assets
	2.148.385	149.527	(326.899)	(14.968)	1.956.045	
Akumulasi penyusutan						Accumulated depreciation
Bangunan	(22.405)	(889)	564	6.932	(15.798)	Buildings
Perbaikan gedung	(334.336)	(31.669)	69.358	3.894	(292.753)	Buildings improvement
Perabot dan perlengkapan kantor	(708.338)	(60.866)	120.474	-	(648.730)	Office furniture and fixtures
	(1.065.079)	(93.424)	190.396	10.826	(957.281)	
Aset hak guna	(243.445)	(62.103)	35.144	-	(270.404)	Right-of-use assets
	(1.308.524)	(155.527)	225.540	10.826	(1.227.685)	
Nilai buku bersih	839.861				728.360	Net book value

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

19. ASET TETAP (lanjutan)

Rincian aset tetap terdiri dari (lanjutan):

19. PROPERTIES AND EQUIPMENTS (continued)

The fixed assets consist of the following (continued):

	31 Desember/December 2022					
	Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Reklasifikasi/ Reclassifications	Saldo akhir/ Closing balance	
Harga perolehan						Cost
Tanah	130.994	-	(273)	-	130.721	Land
Bangunan	33.790	-	(1.098)	-	32.692	Buildings
Perbaikan gedung	462.184	554	(30.212)	39.934	472.460	Buildings improvement
Perabot dan perlengkapan kantor	854.188	6.093	(27.648)	34.078	866.711	Office furniture and fixtures
	1.481.156	6.647	(59.231)	74.012	1.502.584	
Aset dalam penyelesaian	647	124.011	-	(78.815)	45.843	Construction in progress
Aset hak guna	563.382	114.473	(77.897)	-	599.958	Right-of-use assets
	2.045.185	245.131	(137.128)	(4.803)	2.148.385	
Akumulasi penyusutan						Accumulated depreciation
Bangunan	(22.491)	(1.012)	1.098	-	(22.405)	Buildings
Perbaikan gedung	(291.431)	(39.561)	25.172	(28.516)	(334.336)	Buildings improvement
Perabot dan perlengkapan kantor	(694.472)	(73.803)	26.471	33.466	(708.338)	Office furniture and fixtures
	(1.008.394)	(114.376)	52.741	4.950	(1.065.079)	
Aset hak guna	(203.337)	(67.389)	27.281	-	(243.445)	Right-of-use assets
	(1.211.731)	(181.765)	80.022	4.950	(1.308.524)	
Nilai buku bersih	833.454				839.861	Net book value

Rincian penjualan aset tetap Bank adalah sebagai berikut:

The detail of the sale of Bank's fixed assets are as follows:

	31 Desember/ December 2023	31 Desember/ December 2022	
Aset tetap:			Fixed assets:
Harga perolehan	(7.813)	(13.968)	Cost
Akumulasi penyusutan	7.403	13.662	Accumulated depreciation
Nilai buku bersih	(410)	(306)	Net book value
Harga jual	8.410	14.249	Selling price
Laba penjualan aset tetap	8.000	13.943	Gain on sales of fixed assets

Pada tanggal 31 Desember 2023 dan 2022, semua aset tetap yang dimiliki Bank merupakan kepemilikan langsung.

As of 31 December 2023 and 2022, all fixed assets held by the Bank are direct ownership.

Beban penyusutan untuk periode tahunan yang berakhir pada tanggal-tanggal 31 Desember 2023 dan 2022 masing-masing sebesar Rp 155.527 dan Rp 181.765 dicatat pada beban operasional pada laporan laba rugi.

Depreciation expense for the annual periods ended 31 December 2023 and 2022, each amounting to Rp 155,527 and Rp 181,765, respectively, are recorded on operating expenses in the statement of profit or loss.

Pada tanggal 31 Desember 2023 dan 2022, 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 2023 and 2022, management believes that there is no impairment in the fixed assets owned by the Bank because management believes that the carrying amounts of fixed assets do not exceed the estimated recoverable amount.

Bank memiliki beberapa bidang tanah dengan hak legal berupa Hak Guna Bangunan dan Hak Pakai yang akan jatuh tempo sampai dengan tahun 2052. Manajemen berpendapat tidak terdapat masalah dengan perpanjangan hak atas tanah karena seluruh tanah diperoleh secara sah dan didukung dengan bukti kepemilikan yang memadai.

The Bank owns several pieces of land with Right to Build (HGB) and Right of Use as well as expiring years up to 2052. Management believes that there will be no issue in the extension of the land rights since all the land are acquired legally and supported by sufficient evidence of ownership.

Tidak ada aset tetap yang dijaminkan.

There were no fixed assets pledged as collateral.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

19. ASET TETAP (lanjutan)

Aset tetap kecuali tanah telah diasuransikan terhadap risiko kebakaran, kecurian dan risiko lainnya kepada PT AIG Insurance Indonesia. Pada tanggal 31 Desember 2023 dan 2022, jumlah nilai pertanggungan yang diasuransikan adalah masing-masing sebesar Rp 1.602.134 dan Rp 1.801.541. Manajemen berpendapat bahwa nilai pertanggungan tersebut cukup untuk menutupi kemungkinan kerugian atas aset yang dipertanggungkan.

Penilaian atas nilai pasar tanah dan bangunan dilakukan oleh penilai independen eksternal KJPP Rengganis, Hamid & Rekan. Pada tanggal 31 Desember 2023 dan 2022 masing-masing sebesar Rp 228.362 dan Rp 323.769.

Pada tanggal 31 Desember 2023 dan 2022, tidak terdapat perubahan umur ekonomis aset tetap.

Pada tanggal 31 Desember 2023 dan 2022, Manajemen berkeyakinan bahwa tidak terdapat indikasi terjadinya penurunan nilai permanen aset tetap.

19. PROPERTIES AND EQUIPMENTS (continued)

Properties and equipment, except for land, are insured against fire, theft and other possible risks with PT AIG Insurance Indonesia. As of 31 December 2023 and 2022, the total sum insured was Rp 1,602,134 and Rp 1,801,541, respectively. Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

The valuations of land and building was performed by KJPP Rengganis, Hamid & Rekan, an external independent appraiser. As of 31 December 2023 and 2022, amounting to Rp 228,362 and Rp 323,769.

As at 31 December 2023 and 2022, there are no changes in the useful life of fixed assets.

As at 31 December 2023 and 2022, Management believes that there is no indication of permanent impairment in the value of fixed assets.

20. ASET TAKBERWUJUD

Pada tanggal 31 Desember 2023 dan 2022, aset takberwujud terdiri dari:

20. INTANGIBLE ASSETS

As of 31 December 2023 and 2022, Bank's intangible assets consist of the following:

31 Desember/December 2023						
	Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Reklasifikasi/ Reclassifications	Saldo akhir/ Closing balance	
Harga perolehan						Cost
Perangkat lunak	323.844	-	(1.271)	4.959	327.532	Software
Aset takberwujud dalam penyelesaian	46.304	91.725	(6.452)	(9.513)	122.064	Intangible assets in progress
	370.148	91.725	(7.723)	(4.554)	449.596	
Akumulasi amortisasi						Accumulated amortisation
Perangkat lunak	(298.044)	(9.736)	1.271	-	(306.509)	Software
	(298.044)	(9.736)	1.271	-	(306.509)	
Nilai buku bersih	72.104				143.087	Net book value
31 Desember/December 2022						
	Saldo awal/ Opening balance	Penambahan/ Additions	Pengurangan/ Disposals	Reklasifikasi/ Reclassifications	Saldo akhir/ Closing balance	
Harga perolehan						Cost
Perangkat lunak	295.914	-	-	27.930	323.844	Software
Aset takberwujud dalam penyelesaian	19.473	51.047	(1.089)	(23.127)	46.304	Intangible assets in progress
	315.387	51.047	(1.089)	4.803	370.148	
Akumulasi amortisasi						Accumulated amortisation
Perangkat lunak	(271.166)	(21.928)	-	(4.950)	(298.044)	Software
	(271.166)	(21.928)	-	(4.950)	(298.044)	
Nilai buku bersih	44.221				72.104	Net book value

Seluruh aset takberwujud yang ada pada tanggal 31 Desember 2023 dan 2022 digunakan untuk menunjang aktivitas operasi Bank.

All of the intangible assets as at 31 December 2023 and 2022 are fully used to support Bank's operation activities.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

21. SIMPANAN DARI NASABAH

Simpanan dari nasabah, berdasarkan jenis pada tanggal 31 Desember 2023 dan 2022 terdiri dari:

	31 Desember/ December 2023	31 Desember/ December 2022
Rupiah		
Giro	27.447.921	28.517.448
Deposito berjangka dan <i>deposits on call</i>	23.220.061	18.789.612
Tabungan	6.358.955	6.680.710
	<u>57.026.937</u>	<u>53.987.770</u>
Mata uang asing		
Giro	11.600.261	14.569.297
Tabungan	7.525.749	8.858.135
Deposito berjangka dan <i>deposits on call</i>	10.165.815	12.772.466
	<u>29.291.825</u>	<u>36.199.898</u>
Jumlah	<u>86.318.762</u>	<u>90.187.668</u>

Pada tanggal 31 Desember 2023 dan 2022, termasuk di dalam simpanan dari nasabah yang diblokir dan dijadikan jaminan untuk kredit yang diberikan kepada nasabah masing-masing sebesar Rp 1.987.544 dan Rp 3.008.137.

21. DEPOSITS FROM CUSTOMERS

Deposits from customers, classified by type, as of 31 December 2023 and 2022 consisted of the following:

Rupiah
Demand deposits
Time deposits and deposits on call
Saving accounts
Foreign currencies
Demand deposits
Saving accounts
Time deposits and deposits on call

Total

As of 31 December 2023 and 2022, included in deposits from customers which are blocked and pledged as collaterals for loans to customers amounted Rp 1,987,544 and Rp 3,008,137, respectively.

22. SIMPANAN DARI BANK - BANK LAIN

Simpanan dari bank-bank lain berdasarkan jenis pada tanggal 31 Desember 2023 dan 2022 terdiri dari:

	31 Desember/ December 2023	31 Desember/ December 2022
Rupiah		
Giro	3.869.705	3.321.901
Mata uang asing		
Giro	61.896	34.780
Jumlah	<u>3.931.601</u>	<u>3.356.681</u>

Rupiah
Demand deposits
Foreign currencies
Demand deposits

Total

22. DEPOSITS FROM OTHER BANKS

Deposits from other banks, classified by type, as of 31 December 2023 and 2022 consisted of the following:

23. EFEK YANG DIJUAL DENGAN JANJI DIBELI KEMBALI

Bank tidak memiliki efek-efek yang dijual dengan janji dibeli kembali pada tanggal 31 Desember 2023.

Efek-efek yang dijual dengan janji dibeli kembali pada tanggal 31 Desember 2022 terdiri dari:

23. SECURITIES SOLD UNDER REPURCHASE WITH AGREEMENTS

The Bank has no security sold under repurchase agreements as of 31 December 2023.

Securities sold under repurchase agreements as of 31 December 2022 consist of the following:

31 Desember/December 2022							
Pihak lawan/ Counterparty	Jenis efek/ Security type	Tanggal dimulai/ Starting date	Tanggal jatuh tempo/ Maturity date	Nilai Nominal/ Nominal amount	Nilai beli kembali/ Repurchase value	Beban bunga yang belum diamortisasi/ Interest expense unamortized	Nilai bersih/ Carrying amount
Bank Indonesia	FR0046	22-Nov-22	21-Feb-23	10.000	10.544	163	10.381
Bank Indonesia	FR0046	10-Nov-22	9-Feb-23	30.000	31.624	452	31.173
							<u>41.554</u>

24. BEBAN AKRUAL DAN PROVISI

	31 Desember/ December 2023	31 Desember/ December 2022
Beban yang masih harus dibayar	395.938	401.971
Bunga yang masih harus dibayar	185.752	115.587
Provisi pemutusan hubungan kerja	21.977	25.715
Jumlah	<u>603.667</u>	<u>543.273</u>

Beban yang masih harus dibayar terkait iuran OJK dan transaksi operasional kegiatan Bank antara lain seperti biaya pemasaran, teknologi informasi, biaya event dan campaign, konsultan, pemeliharaan gedung dan biaya training.

24. ACCRUALS AND PROVISIONS

Accrued expenses
Accrued interest expenses
Termination provisions

Total

Accrued expenses are comprised of FSA-related dues and transactions related to the operational activities of the Bank which include, among other activities, marketing expenses, information technology, event and campaign expenses, consultancy, building maintenance and training expenses.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

24. BEBAN AKRUAL DAN PROVISI (lanjutan)

Bunga yang masih harus dibayar merupakan bunga yang masih harus dibayar atas simpanan, simpanan dari bank lain, pinjaman yang diterima dan pinjaman subordinasi.

24. ACCRUALS AND PROVISIONS (continued)

Accrued interest expenses represent interest payable on deposits, deposits from other banks, borrowings and subordinated debt.

25. LIABILITAS LAIN-LAIN

	31 Desember/ December 2023
Transaksi dalam proses penyelesaian	627.164
Rekening <i>suspense</i>	464.617
Liabilitas sewa	279.566
Uang jaminan	269.986
Pendapatan ditangguhkan	225.831
Utang pajak lainnya	186.196
Cadangan kerugian penurunan nilai atas komitmen dan kontinjensi	123.684
Transfer Inkaso dan Kliring	41.589
Kewajiban transaksi <i>Letter of Credit</i>	28.016
Lainnya	221.424
Jumlah	2.468.808

Transaksi dalam proses penyelesaian sebagian besar merupakan utang yang timbul dari transaksi pembelian efek-efek pada tanggal perdagangan dimana Bank memiliki komitmen untuk membeli aset tersebut dan utang yang timbul dari transaksi nasabah.

Uang jaminan termasuk uang yang diberikan oleh nasabah kepada Bank sebagai jaminan atas L/C impor masing-masing sebesar Rp 269.952 dan Rp 237.879 pada tanggal 31 Desember 2023 dan 2022.

Rekening *suspense* sebagian besar merupakan utang yang timbul dari transaksi nasabah dan transaksi pihak ketiga lainnya.

Pendapatan ditangguhkan sebagian besar merupakan pendapatan provisi dan komisi yang belum diamortisasi antara lain terkait dengan bank garansi, asuransi, biaya tahunan kartu kredit dan pinjaman yang tidak dapat diatribusikan secara langsung dengan penarikan pinjaman.

Lain-lain terutama terdiri dari liabilitas terkait transaksi perdagangan, titipan dan transaksi yang masih harus diselesaikan.

Pengungkapan mutasi cadangan kerugian penurunan nilai atas komitmen dan kontinjensi pada tanggal 31 Desember 2023 dan 2022 sebagai berikut:

	31 Desember/December 2023			Jumlah / Total	
	Stage 1	Stage 2	Stage 3		
Saldo awal periode	18.062	20.753	108.451	147.266	Beginning balance
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	-	-	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	-	-	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	369	(15.278)	(11.475)	(26.384)	Net change in exposure and remeasurement
Selisih kurs	(102)	631	2.273	2.802	Exchange rate differences
Saldo akhir	18.329	6.106	99.249	123.684	Ending balance

25. OTHER LIABILITIES

	31 Desember/ December 2022
Transaksi dalam proses penyelesaian	302.194
Rekening <i>suspense</i>	385.670
Liabilitas sewa	354.749
Uang jaminan	238.726
Pendapatan ditangguhkan	247.965
Utang pajak lainnya	145.653
Cadangan kerugian penurunan nilai atas komitmen dan kontinjensi	147.266
Transfer Inkaso dan Kliring	41.001
Kewajiban transaksi <i>Letter of Credit</i>	27.016
Lainnya	449.043
Jumlah	2.339.283

Transactions in the process of settlement are mostly comprised of liabilities derived from securities purchase transaction on trade date at which the Bank commits to purchase and liabilities derived from customer transactions.

The security deposits included deposits from customers for collateral on import L/C of Rp 269,952 dan Rp 237,879 as of 31 December 2023 and 2022, respectively.

The suspense accounts are mostly comprised of liabilities derived from customers transactions and transactions with other third parties.

Deferred income are mostly comprised of unamortised fees and commissions income related to among others bank guarantee, insurance, credit cards annual fee and loans that are not directly attributable to the loan drawdown.

Others mainly consist of liabilities related to trade transactions, deposit and transaction remains to be settled.

The disclosure of allowance for impairment losses of commitments and contingencies as of 31 December 2023 and 2022 are as follows:

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

25. LIABILITAS LAIN-LAIN (lanjutan)

Pengungkapan mutasi cadangan kerugian penurunan nilai atas komitmen dan kontinjensi pada tanggal 31 Desember 2023 dan 2022 sebagai berikut (lanjutan):

	31 Desember/December 2022				
	Stage 1	Stage 2	Stage 3	Jumlah / Total	
Saldo awal periode	15.532	18.491	4.310	38.333	Beginning balance
Transfer ke kerugian kredit ekspektasian sepanjang umurnya (stage 2)	(920)	920	-	-	Transfer to lifetime expected credit loss (stage 2)
Transfer ke kredit yang mengalami penurunan nilai (stage 3)	-	-	-	-	Transfer to credit impaired (stage 3)
Transfer ke kerugian kredit ekspektasian 12 bulan (stage 1)	7.772	(7.772)	-	-	Transfer to 12 months expected credit losses (stage 1)
Perubahan bersih pada eksposur dan pengukuran kembali	(5.636)	7.436	118.200	120.000	Net change in exposure and remeasurement
Selisih kurs	1.314	1.678	(14.059)	(11.067)	Exchange rate differences
Saldo akhir	18.062	20.753	108.451	147.266	Ending balance

Manajemen Bank berkeyakinan bahwa saldo cadangan kerugian penurunan nilai yang dibentuk adalah cukup untuk menutupi kemungkinan penurunan nilai komitmen dan kontinjensi pada tanggal 31 Desember 2023 dan 2022.

25. OTHER LIABILITIES (continued)

The disclosure of allowance for impairment losses of commitments and contingencies as of 31 December 2023 and 2022 are as follows (continued):

The Bank's management believes that the allowance for impairment losses was adequate to cover possible impairment on commitments and contingencies as of 31 December 2023 and 2022.

26. PINJAMAN YANG DITERIMA

Rincian pinjaman yang diterima Bank adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ December 2022	
The Hongkong and Shanghai Banking Corporation Limited	9.469.155	7.550.237	The Hongkong and Shanghai Banking Corporation Limited

Jumlah saldo pinjaman pada tanggal 31 Desember 2023 dan 2022 masing-masing adalah sebesar Rp 9.469.155 (Dolar AS 615 juta) dan Rp 7.550.237 (Dolar AS 485 juta).

26. BORROWINGS

The details of Bank's borrowing is as follows:

The borrowing amount as of 31 December 2023 and 2022 are Rp 9,469,155 (USD 615 million) and Rp 7,550,237 (USD 485 million), respectively.

Pada tanggal 29 Oktober 2021, Bank telah menandatangani perjanjian dengan The Hongkong and Shanghai Banking Corporation Limited atas pinjaman dengan nilai maksimum fasilitas sebesar USD 1,4 milyar (dalam Dolar AS penuh). Penandatanganan ini menggantikan perjanjian sebelumnya tertanggal 9 September 2016 dan novasi tertanggal 16 Maret 2017.

On 29 October 2021, the Bank has signed an agreement with The Hongkong and Shanghai Banking Corporation Limited for the borrowing with maximum facility amounted USD 1.4 billion (in full USD). This signing amended the previous agreement dated 9 September 2016 and novation dated 16 March 2017.

Pada tanggal 12 Juli 2022, Bank telah menandatangani perjanjian dengan The Hongkong and Shanghai Banking Corporation Limited atas pinjaman dengan nilai maksimum fasilitas sebesar Dolar AS 1,2 milyar (dalam Dolar AS penuh) untuk penarikan pinjaman jangka panjang dan Dolar AS 200 juta (dalam Dolar AS penuh) untuk penarikan pinjaman jangka pendek. Penandatanganan ini menggantikan perjanjian sebelumnya tertanggal 29 Oktober 2021. Fasilitas ini berlaku untuk jangka waktu 10 tahun sejak tanggal penandatanganan.

On 12 July 2022, the Bank has entered into an agreement with The Hongkong and Shanghai Banking Corporation Limited for a loan with a maximum facility value of USD 1.2 billion (in full US Dollar) for the withdrawal of long-term loans and USD 200 million (in full US Dollar) for the withdrawal of short-term loans. This signing replaces the previous agreement dated 29 October 2021. This facility is valid for a period of 10 years from the date of signing.

Fasilitas pinjaman bersifat modal kerja dan bertujuan untuk kegiatan penyaluran kredit kepada nasabah dan pemenuhan ketentuan likuiditas dan pendanaan.

The loan facility is for working capital and intended for lending activities to customers and to support liquidity and to fulfill the funding requirements.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

26. PINJAMAN YANG DITERIMA (lanjutan)

Pada tanggal 31 Desember 2023, saldo terutang atas fasilitas ini adalah sebesar Rp 9.469.155 (Dolar AS 615 juta) dan memiliki tingkat suku bunga mengambang, yaitu SOFR ditambah dengan spread berkisar 51 bps (*basis point*). Tanggal jatuh tempo pinjaman ini mulai dari Juli 2025 sampai dengan Desember 2025 dan memiliki kisaran tingkat suku bunga sebesar 5,77%-6,50%.

Pada tanggal 31 Desember 2022, saldo terutang atas fasilitas ini adalah sebesar Rp 7.550.237 (Dolar AS 485 juta) dan memiliki tingkat suku bunga mengambang, yaitu SOFR ditambah dengan spread berkisar 57 bps (*basis point*). Tanggal jatuh tempo pinjaman ini mulai dari Juni 2024 sampai dengan Agustus 2024 dan memiliki kisaran tingkat suku bunga sebesar 4,66%-4,75%.

Tidak ada aset yang ditempatkan sebagai jaminan atas pinjaman ini. Selain itu, tidak terdapat persyaratan keuangan yang wajib dipenuhi oleh Bank.

26. BORROWINGS (continued)

As of 31 December 2023, the outstanding amount from this facility was Rp 9,469,155 (USD 615 million) and bears a floating interest rate of SOFR plus spread circa 51 bps (*basis point*). The maturity dates of the borrowing balances are ranging from July 2025 to December 2025 with interest rates ranging from 5.77%-6.50%.

As of 31 December 2022, the outstanding amount from this facility was Rp 7,550,237 (USD 485 million) and bears a floating interest rate of SOFR plus spread circa 57 bps (*basis point*). The maturity dates of the borrowing balances are ranging from June 2024 to August 2024 with interest rates ranging from 4.66%-4.75%.

There is no asset put as collateral for this borrowing. In addition, there are no financial covenants which need to be fulfilled by the Bank.

27. LIABILITAS IMBALAN KERJA

Liabilitas imbalan kerja pada tanggal 31 Desember 2023 dan 2022 terdiri dari:

	31 Desember/ December 2023
Liabilitas imbalan kerja jangka pendek	225.035
Liabilitas imbalan pasca-kerja	226.969
Liabilitas imbalan kerja	452.004

Sebelum Januari 2022, Bank menyelenggarakan program pensiun iuran pasti untuk seluruh karyawan tetapnya dan dikelola serta diadministrasikan oleh Dana Pensiun Lembaga Keuangan Manulife Indonesia. Bank telah menempatkan dana untuk mendukung pemenuhan liabilitas imbalan pasca kerja karyawan masing-masing pada tahun yang berakhir 31 Desember 2023 dan 2022 masing-masing sebesar Rp 89.753 dan Rp 88.732.

Sejak Januari 2022, Bank mengganti pengelola program pensiun iuran pasti untuk seluruh karyawan tetapnya dari sebelumnya Dana Pensiun Lembaga Keuangan (DPLK) Manulife Indonesia menjadi Dana Pensiun Lembaga Keuangan Allianz Indonesia.

Iuran untuk dana pensiun dihitung berdasarkan persentase tertentu dari gaji pokok karyawan.

Jumlah karyawan yang ikut serta dalam program iuran pasti pada tanggal 31 Desember 2023 dan 2022 masing-masing adalah 2.500 dan 2.593 karyawan.

Bank memberikan imbalan pasca 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 pasca kerja yang lebih tinggi dari yang diatur dalam peraturan perundangan yang berlaku.

27. EMPLOYEE BENEFITS OBLIGATION

Employee benefits obligation as of 31 December 2023 and 2022 consisted of the following:

	31 Desember/ December 2022	
	207.683	Short-term employee benefits obligation
	241.808	Post-employment benefits obligation
Employee benefits obligation	449.491	

Before January 2022, the Bank has a defined contribution pension plan that covers all permanent employees and managed by Dana Pensiun Lembaga Keuangan Manulife Indonesia. The Bank has placed some funds to support the fulfillment of its post-employment benefits obligation for the years ending 31 December 2023 and 2022, amounting to Rp 89,753 and Rp 88,732, respectively.

Starting January 2022, Bank changed the management of the defined contribution pension plan for all permanent employees from Dana Pensiun Lembaga Keuangan (DPLK) Manulife Indonesia to Dana Pensiun Lembaga Keuangan Allianz Indonesia.

The contribution of a pension plan is calculated based on a certain percentage of employees' basic salary.

The number of employees participated in defined contribution retirement programs as at 31 December 2023 and 2022 are 2,500 and 2,593 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 who meet certain criteria according to company policies who are eligible for higher post-employment benefits than those required by applicable law and regulation.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

27. LIABILITAS IMBALAN 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 2023 dan 2022, dan perubahan liabilitas imbalan pasca-kerja dan beban yang diakui dalam laporan laba rugi dan penghasilan komprehensif lain untuk tahun yang berakhir pada tanggal 31 Desember 2023 dan 2022:

	31 Desember/ December 2023	31 Desember/ December 2022
Nilai kini liabilitas pada awal tahun	241.808	260.211
Beban selama tahun berjalan (catatan 38)	35.173	33.366
Pengukuran kembali diakui sebagai pendapatan komprehensif lainnya akibat: Perubahan asumsi ekonomis	7.974	(7.784)
Perubahan dari penyesuaian pengalaman	(9.556)	6.011
Imbalan yang dibayar	(48.430)	(49.996)
Liabilitas imbalan pasca-kerja	226.969	241.808
Biaya imbalan kerja yang dibebankan Bank pada laporan laba rugi: Biaya jasa kini	20.119	22.014
Biaya jasa lalu – amendemen program	960	-
Keuntungan atas penyelesaian	382	-
Biaya bunga	13.712	12.705
Penyesuaian atas perubahan metode atribusi manfaat (Catatan 2c)	-	(1.353)
Jumlah beban yang diakui	35.173	33.366

Perhitungan liabilitas imbalan pasca-kerja pada tanggal 31 Desember 2023 dan 2022 dilakukan oleh aktuaris independen, Kantor Konsultan Aktuarial Steven & Mourits (KKA S&M), dengan laporan aktuaris masing-masing tertanggal 19 Februari 2024 dan 10 Januari 2023 dengan menggunakan asumsi utama sebagai berikut :

	31 Desember/ December 2023	31 Desember/ December 2022
Tingkat diskonto	6,50%	6,70%
Kenaikan gaji	5,00%	5,00%
Metode aktuarial	Projected unit credit	Projected unit credit
Umur pensiun normal	55 tahun/years	55 tahun/years
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)
Tingkat cacat	10% dari TMI 2019/ 10% of TMI 2019	10% dari TMI 2019/ 10% of TMI 2019
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	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

Tabel-tabel dibawah menunjukkan sensitivitas atas kemungkinan perubahan tingkat kenaikan gaji dan tingkat diskonto terhadap kewajiban imbalan pasca kerja pada 31 Desember 2023 dan 2022:

	31 Desember/December 2023	
	Peningkatan/ Increase by 100 bps	Penurunan/ Decrease by 100 bps
Tingkat diskonto	(8.290)	8.968
Kenaikan gaji	25.070	(21.598)

27. EMPLOYEE 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 2023 and 2022, and movement in obligation and expenses recognised in the statements of profit or loss and other comprehensive income for the year-ended 31 December 2023 and 2022:

Present value of the liability at the beginning of year
Expenses recognised during the year (Note 38)
Remeasurement recognised as other comprehensive income due to: Change in financial assumptions
Change from experience adjustment
Benefits paid
Post-employment benefits obligation
Employee benefits expense charge to profit and loss by the Bank: Current service cost
Past service cost – program amendment
Settlement gain
Interest cost
Adjustment on changes of benefit attribution method (Note 2c)
Total recognised cost

The calculation of post-employment benefits obligation as of 31 December 2023 and 2022 was done by independent actuary, Steven & Mourits (KKA S&M) actuarial consulting, with actuarial reports dated 19 February 2024 and 10 January 2023, respectively, using major assumptions as follows:

Discount rates
Salary increases
Valuation cost Method
Normal retirement age
Mortality rates
Disability rates
Resignation rates

The following tables represent the sensitivity analysis of a reasonably possible change in salary increase and discount rate of obligation to post-employment benefits obligation as of 31 December 2023 and 2022:

Discount rates
Salary increment

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

27. LIABILITAS IMBALAN KERJA (lanjutan)

Tabel-tabel dibawah menunjukkan sensitivitas atas kemungkinan perubahan tingkat kenaikan gaji dan tingkat diskonto terhadap kewajiban imbalan pasca kerja pada 31 Desember 2023 dan 2022 (lanjutan):

	31 Desember/December 2022		
	Peningkatan/ Increase by 100 bps	Penurunan/ Decrease by 100 bps	
Tingkat diskonto	(7.529)	8.112	Discount rates
Kenaikan gaji	22.324	(18.729)	Salary increment

Durasi rata-rata tertimbang durasi dari liabilitas program pensiun imbalan pasti pada tanggal 31 Desember 2023 dan 2022 masing-masing adalah 6,02 tahun dan 5,54 tahun.

The following tables represent the sensitivity analysis of a reasonably possible change in salary increase and discount rate of obligation to post-employment benefits obligation as of 31 December 2023 and 2022 (continued):

Undiscounted expected maturity analysis of pension benefits are as follows:

	31 Desember/ December 2023	31 Desember/ December 2022	
Dalam 10 tahun kedepan	346.536	362.253	Within next 10 years
Dalam 10 sampai 20 tahun kedepan	116.291	96.163	Within next 10 to 20 years
Dalam 20 dan seterusnya kedepan	2.385	2.266	Within next 20 and beyond

28. PINJAMAN SUBORDINASI

Rincian pinjaman subordinasi Bank adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ December 2022	
HSBC Asia Pacific Holdings (UK) Limited	1.154.775	1.167.563	HSBC Asia Pacific Holdings (UK) Limited

Pada tanggal 10 April 2017, Bank menandatangani perjanjian pinjaman subordinasi dengan HSBC Asia Pacific Holdings (UK) Limited (HAPH), pihak berelasi, 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 Dolar AS LIBOR 3 bulan ditambah 407 bps (basis point). Pada tanggal 31 Desember 2022, saldo terutang atas fasilitas ini adalah sebesar Rp 1.167.563 (Dolar AS 75 juta). Pinjaman subordinasi ini ditujukan untuk mendukung Modal Pelengkap (Tier 2).

On 10 April 2017, the Bank entered into a subordinated loan agreement with the HSBC Asia Pacific Holdings (UK) Limited (HAPH), a related party, and has already received funding amounting to USD 75 million which maturing on 10 April 2027. This subordinated debt bears a floating interest rate of 3 month USD LIBOR plus 407 bps (basis points). As of 31 December 2022, the outstanding amount from this facility was Rp 1,167,563 (USD 75 million). The subordinated debt is intended to support Supplementary Capital (Tier 2).

Pada tanggal 6 Januari 2023, Bank menandatangani perubahan perjanjian pinjaman subordinasi dengan HSBC Asia Pacific Holdings (UK) Limited (HAPH), pihak berelasi, terkait perubahan tingkat suku bunga acuan dari LIBOR menjadi SOFR. Tanggal perubahan berlaku sejak 10 Januari 2023. Perubahan tingkat suku bunga acuan tidak mengubah syarat dan kondisi lainnya atas fasilitas pinjaman subordinasi. Pinjaman subordinasi ini memiliki tingkat suku bunga mengambang, yaitu SOFR ditambah dengan spread berkisar 430 bps (basis point).

On 6 January 2023, the Bank entered into a subordinated loan amendment agreement with the HSBC Asia Pacific Holdings (UK) Limited (HAPH), a related party, in relation with the interest rate benchmark update from LIBOR to SOFR. The switch date is effective from 10 January 2023. The interest rate benchmark update does not change the term and other conditions over subordinated debt facility. This subordinated debt bears a floating interest of SOFR plus 430 bps (basis point).

Tidak terdapat perubahan saldo terutang dalam mata uang Dolar AS sampai dengan 31 Desember 2023.

No changes of the original USD amount until 31 December 2023.

Pinjaman ini dipergunakan sebagai modal tambahan (Tier 2 Capital) berdasarkan regulasi OJK No. 11/POJK.03/2016 tentang Kewajiban Penyediaan Modal Minimum Bank Umum di Indonesia.

This borrowing to be used as supplementary capital (Tier 2 Capital) under FSA regulation No. 11/POJK.03/2016 on Minimum Capital Requirement for Commercial Banks in Indonesia.

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023**

(Expressed in millions of Rupiah, unless otherwise stated)

28. PINJAMAN SUBORDINASI (lanjutan)

Bank harus melunasi pinjaman ini dalam satu (1) jumlah pada tanggal jatuh tempo, yaitu 10 April 2027. Jika pelunasan menyebabkan ketidakpatuhan pada rasio KPMM sebagaimana yang diatur dalam peraturan yang berlaku, maka pembayaran pokok pinjaman dan/atau bunga akan ditunda dan diakumulasi. Selanjutnya jadwal pelunasan pinjaman akan dinegosiasikan ulang antara Bank dan HAPH.

Persyaratan - persyaratan penting dalam perjanjian pinjaman Bank antara lain:

- Rasio modal inti utama (CET1) lebih rendah atau sama dengan 5,125% dari aset tertimbang menurut risiko (ATMR); dan/atau
- Terdapat rencana dari otoritas yang berwenang untuk melakukan penyertaan modal kepada Bank ketika kelangsungan usahanya dinilai berpotensi terganggu; dan
- Terdapat perintah dari Otoritas Jasa Keuangan untuk melakukan *write down*.

Per tanggal 31 Desember 2023 dan 2022, Bank selalu membayar beban bunga yang timbul terkait pinjaman ini dan tidak ada kejadian yang dapat berdampak pada kondisi *going concern* sebagaimana diatur dalam perjanjian pinjaman. Sebagai tambahan, tidak terdapat pembatasan yang dipersyaratkan dalam kontrak perwaliamanatan.

Tidak ada aset yang ditempatkan sebagai jaminan atas pinjaman ini.

29. 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.

28. SUBORDINATED DEBT (continued)

The Bank shall repay the borrowing in one (1) amount on the maturity date which is 10 April 2027. If the repayment gives rise to non-compliance to the required level of CAR as prescribed by the prevailing regulations then the payment of principal and/or interest will be deferred and accumulated. Thus, the repayment schedule will be renegotiated between the Bank and HAPH.

Significant requirements in the Bank's loan agreement include the following:

- *Common Equity Tier 1 (CET1) ratio is lower than or equal to 5.125% from Risk weighted asset (RWA); and/or*
- *There is a plan of the competent authority to make capital injection to the Bank when its business continuity is considered to be potentially disrupted; and*
- *There is an order from the Financial Services Authority to carry out a write down.*

As at 31 December 2023 and 2022, the Bank always paid the interest expense derived from this borrowing and no event which could affected its going concern as stated in the agreement. In addition, there was no limitation which required under a trustee agreement.

There is no asset put as collateral for this borrowing

29. 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.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

29. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

29. 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 at 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 authorised 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 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.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

29. 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 tanggal 13 April 2017.

Komposisi pemegang saham Bank pada tanggal 31 Desember 2023 dan 2022 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	99%	10.473.719	HSBC Asia Pacific Holdings (UK) Limited
PT Bank Central Asia Tbk	112.653.737	1%	112.654	PT Bank Central Asia Tbk
Lainnya	21.986	0%	22	Others
Jumlah	10.586.394.997	100%	10.586.395	Total

29. SHARE CAPITAL (continued)

In April 2017, the Bank increased the authorised 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 dated 13 April 2017.

The composition of the Bank's shareholders as of 31 December 2023 and 2022 are as follows:

30. 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 2023 dan 2022 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
	264.600	
Beban emisi saham	(6.990)	Share issuance costs
Jumlah yang dicatat sebagai tambahan modal disetor	257.610	Amount recorded as additional paid-in capital

30. 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 2023 and 2022 are as follows:

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

31. 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 2023 dan 2022 saham yang masih beredar masing-masing sejumlah 268.863 (dalam nilai penuh), 161.947 (dalam nilai penuh) lembar.

Selama tahun-tahun yang berakhir 31 Desember 2023 dan 2022, Bank mengakui beban masing-masing sebesar Rp 13.250 dan Rp 9.876 dalam laporan laba rugi terkait dengan pembayaran imbalan kerja berbasis saham.

Cadangan program kompensasi berbasis saham selama tahun yang berakhir 31 Desember 2023 dan 2022 Bank masing-masing sebesar Rp 14.543 dan Rp 15.209.

Harga pasar rata-rata tertimbang dari saham yang diberikan pada tahun yang berakhir pada tanggal 31 Desember 2023 and 2022 masing-masing senilai Rp 116.754 dan Rp 93.101 (dalam Rupiah penuh).

32. PENGGUNAAN SALDO LABA

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 2023 dan 31 Desember 2022 saldo cadangan umum adalah Rp 96.274 dan Rp 77.248.

Berdasarkan Rapat Umum Pemegang Saham Luar Biasa Bank yang dinyatakan dalam Akta dari Notaris Jose Dima Satria, S.H., M.Kn., No. 282 tanggal 28 April 2022, para pemegang saham Bank menyetujui pembagian dividen tunai sejumlah Rp 2.973.847 (Rp 280,9 (nilai penuh) per saham) kepada para pemegang saham yang memiliki hak untuk menerima dividen tunai. Pembayaran dividen dilakukan pada tanggal 31 Mei 2022.

Berdasarkan Rapat Umum Pemegang Saham Tahunan Bank yang dinyatakan dalam Akta dari Notaris Andalia Farida, S.H., M.H., No. 24 tanggal 24 Juni 2022, para pemegang saham Bank menyetujui pembentukan cadangan umum sebesar Rp 14.729 dari saldo laba tahun 2021 serta pembagian dividen tunai sejumlah Rp 883.733 (Rp83,5 (nilai penuh) per saham) kepada para pemegang saham yang memiliki hak untuk menerima dividen tunai. Pembayaran dividen dilakukan pada tanggal 30 September 2022.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

31. 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 2023 and 2022 the outstanding number of shares was 268,863 (in full amount), 161,947 (in full amount), respectively.

During the years ended 31 December 2023 and 2022, the Bank recognised an expense of Rp 13,250 and Rp 9,876, respectively to the profit or loss in respect of share-based payment compensation plan.

Share-based payment program reserves during the year ended 31 December 2023 and 2022 was Rp 14,543 and Rp 15,209, respectively.

The weighted average fair value of share awarded in the years ended 31 December 2023 and 2022 were Rp 116,754 and Rp 93,101, respectively (in Rupiah full amount).

32. APPROPRIATION OF RETAINED EARNINGS

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 2023 and 2022 the amount of general reserves is Rp 96,274 and Rp 77,248.

Based on the Extraordinary General Meeting of the Shareholders as stated in Notarial Deed No. 282 dated 28 April 2022 of Jose Dima Satria, S.H., M.Kn., a notary public in Jakarta, the shareholders approved to distribute cash dividend amounting to Rp 2,973,847 (Rp 280.9 (full amount) per share to shareholders who have the right to receive cash dividend. Dividend payment was paid on 31 May 2022.

Based on the Annual General Meeting of the Bank's Shareholders as stated in Notarial Deed No. 24 dated 24 June 2022 of Andalia Farida, S.H., M.H., a notary public in Jakarta, the shareholders approved the appropriation of the Bank's 2021 retained earnings amounting to Rp 14,729 and to distribute cash dividend amounting to Rp 883,733 (Rp 83.5 (full amount) per share to shareholders who have the right to receive cash dividend. Dividend payment was paid on 30 September 2022.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

32. PENGGUNAAN SALDO LABA (lanjutan)

Berdasarkan Rapat Umum Pemegang Saham Tahunan Bank yang dinyatakan dalam Akta dari Notaris Christina Dwi Utami, S.H., M.H., No. 317 tanggal 26 Juni 2023, para pemegang saham Bank menyetujui pembentukan cadangan umum sebesar Rp 19.026 dari saldo laba tahun 2022 serta pembagian dividen tunai sejumlah Rp 1.236.688 (Rp116,8 (nilai penuh) per saham) kepada para pemegang saham yang memiliki hak untuk menerima dividen tunai. Pembayaran dividen dilakukan pada tanggal 30 September 2023.

33. 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.

Tabel di bawah menyajikan nilai tercatat dan nilai wajar aset dan liabilitas keuangan Bank pada tanggal 31 Desember 2023 dan 2022.

32. APPROPRIATION OF RETAINED EARNINGS (continued)

Based on the Annual General Meeting of the Bank's Shareholders as stated in Notarial Deed No. 317 dated 26 June 2023 of Christina Dwi Utami, S.H., M.H., a notary public in Jakarta, the shareholders approved the appropriation of the Bank's 2021 retained earnings amounting to Rp 19,026 and to distribute cash dividend amounting to Rp 1,236,688 (Rp 116.8 (full amount) per share to shareholders who have the right to receive cash dividend. Dividend payment was paid on 30 September 2023.

33. 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.

The table below sets out the carrying amount and fair values of the Bank's financial assets and liabilities as of 31 December 2023 and 2022.

31 Desember/December 2023					
	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	-	364.876	-	364.876	Cash
Giro pada Bank Indonesia	-	12.295.641	-	12.295.641	Demand deposits with Bank Indonesia
Giro pada bank-bank lain-bersih	-	3.634.373	-	3.634.373	Demand deposits with other banks - net
Penempatan pada Bank Indonesia	-	12.270.854	-	12.270.854	Placements with Bank Indonesia
Penempatan pada bank-bank lain-bersih	-	117.708	-	117.708	Placements with other banks-net
Efek-efek untuk tujuan investasi	-	4.241.714	14.914.362	19.156.076	Investment securities
Aset keuangan dalam kelompok diperdagangkan	1.804.596	-	-	1.804.596	Financial assets held for trading
Tagihan derivatif	262.776	-	-	262.776	Derivative receivables
Efek-efek yang dibeli dengan janji dijual kembali	-	11.635.006	-	11.635.006	Securities purchased with agreement to resell
Wesel ekspor-bersih	-	5.361.240	-	5.361.240	Export bills-net
Tagihan akseptasi-bersih	-	1.538.130	-	1.538.130	Acceptance receivables-net
Kredit yang diberikan kepada nasabah-bersih	-	52.258.903	-	52.258.903	Loans to customers-net
Aset lain-lain ¹⁾	-	1.168.795	-	1.168.795	Other assets ¹⁾
Jumlah	2.067.372	104.887.240	14.914.362	121.868.974	121.959.755
					Total

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

33. ASET KEUANGAN DAN LIABILITAS KEUANGAN

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31 Desember/December 2023					
	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>
Liabilitas keuangan					
Simpanan dari nasabah	-	(86.318.762)	-	(86.318.762)	(86.318.762)
Simpanan dari bank-bank lain	-	(3.931.601)	-	(3.931.601)	(3.931.601)
Efek yang dijual dengan janji dibeli kembali	-	-	-	-	-
Liabilitas derivatif	(279.059)	-	-	(279.059)	(279.059)
Utang akseptasi	-	(1.541.817)	-	(1.541.817)	(1.541.817)
Beban akrual dan provisi ¹⁾	-	(185.752)	-	(185.752)	(185.752)
Liabilitas lain-lain ¹⁾	-	(340.326)	-	(340.326)	(340.326)
Pinjaman yang diterima	-	(9.469.155)	-	(9.469.155)	(9.469.155)
Pinjaman subordinasi	-	(1.154.775)	-	(1.154.775)	(1.154.775)
Jumlah	(279.059)	(102.942.188)	-	(103.221.247)	(103.221.247)

Financial liabilities
Deposits from customers
Deposits from other banks
Securities sold under Repurchase agreements
Derivative payables
Acceptance payables
Accruals and provisions¹⁾
Other liabilities¹⁾
Borrowings
Subordinated debt

¹⁾ Aset lain-lain, Beban akrual dan provisi, dan liabilitas lain-lain pada tabel ini telah mengeluarkan komponen non-keuangan.

Other assets, Accruals and provisions, and other liabilities¹⁾ in this table have excluded non-financial component.

31 Desember/December 2022					
	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					
Kas	-	428.680	-	428.680	428.680
Giro pada Bank Indonesia	-	11.941.577	-	11.941.577	11.941.577
Giro pada bank-bank lain-bersih	-	4.349.740	-	4.349.740	4.349.740
Penempatan pada Bank Indonesia	-	18.682.178	-	18.682.178	18.682.178
Penempatan pada bank-bank lain-bersih	-	225.358	-	225.358	225.358
Efek-efek untuk tujuan investasi	-	1.197.780	12.110.661	13.308.441	13.313.741
Aset keuangan dalam kelompok diperdagangkan	1.248.435	-	-	1.248.435	1.248.435
Tagihan derivatif	324.246	-	-	324.246	324.246
Efek-efek yang dibeli dengan janji dijual kembali	-	14.037.231	-	14.037.231	14.037.231
Wesel ekspor-bersih	-	2.063.474	-	2.063.474	2.063.474
Tagihan akseptasi-bersih	-	2.061.662	-	2.061.662	2.061.662
Kredit yang diberikan kepada nasabah-bersih	-	53.534.125	-	53.534.125	54.044.996
Aset lain-lain ¹⁾	-	707.738	-	707.738	707.738
Jumlah	1.572.681	109.229.543	12.110.661	122.912.885	123.429.056
Liabilitas keuangan					
Simpanan dari nasabah	-	(90.187.668)	-	(90.187.668)	(90.187.668)
Simpanan dari bank-bank lain	-	(3.356.681)	-	(3.356.681)	(3.356.681)
Efek yang dijual dengan janji dibeli kembali	-	(41.554)	-	(41.554)	(41.554)
Liabilitas derivatif	(466.359)	-	-	(466.359)	(466.359)
Utang akseptasi	-	(2.095.274)	-	(2.095.274)	(2.095.274)
Beban akrual dan provisi ¹⁾	-	(115.587)	-	(115.587)	(115.587)
Liabilitas lain-lain ¹⁾	-	(279.727)	-	(279.727)	(279.727)
Pinjaman yang diterima	-	(7.550.237)	-	(7.550.237)	(7.550.237)
Pinjaman subordinasi	-	(1.167.563)	-	(1.167.563)	(1.167.563)
Jumlah	(466.359)	(104.794.291)	-	(105.260.650)	(105.260.650)

Financial assets
Cash
Demand deposits with Bank Indonesia
Demand deposits with other banks - net
Placements 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 assets¹⁾

Financial liabilities
Deposits from customers
Deposits from other banks
Securities sold under Repurchase agreements
Derivative payables
Acceptance payables
Accruals and provisions¹⁾
Other liabilities¹⁾
Borrowings
Subordinated debt

¹⁾ Aset lain-lain, Beban akrual dan provisi, dan liabilitas lain-lain pada tabel ini telah mengeluarkan komponen non-keuangan.

Other assets, Accruals and provisions, and other liabilities¹⁾ in this table have excluded non-financial component.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

33. ASET KEUANGAN DAN LIABILITAS 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 hierarki nilai wajar:

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (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:

31 Desember/December 2023						
Catatan/ Notes	Level 1	Level 2	Level 3	Jumlah/ Total		
Efek-efek untuk tujuan investasi	11	-	14.914.362	-	14.914.362	Investment securities
Aset keuangan dalam kelompok diperdagangkan	12	-	1.604.894	-	1.604.894	Financial assets held for trading
Tagihan derivatif	13	2.811	259.965	-	262.776	Derivative receivables
		2.811	16.779.221	-	16.782.032	
Liabilitas derivatif	13	(3.671)	(271.184)	(4.205)	(279.060)	Derivative payables
31 Desember/December 2022						
Catatan/ Notes	Level 1	Level 2	Level 3	Jumlah/ Total		
Efek-efek untuk tujuan investasi	11	-	12.110.661	-	12.110.661	Investment securities
Aset keuangan dalam kelompok diperdagangkan	12	-	1.248.435	-	1.248.435	Financial assets held for trading
Tagihan derivatif	13	6.345	317.901	-	324.246	Derivative receivables
		6.345	13.676.997	-	13.683.342	
Liabilitas derivatif	13	(8.990)	(402.814)	(54.555)	(466.359)	Derivative payables

Nilai wajar aset dan liabilitas yang diperdagangkan dan efek-efek untuk tujuan investasi pada tanggal 31 Desember 2023 dan 2022 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 2023 and 2022 were based on quoted market prices and valuation techniques as explained in Note 5b.1.

Instrumen keuangan yang tidak diukur pada nilai wajar

Pada 31 Desember 2023 dan 2022 nilai wajar dari instrumen keuangan yang tidak diukur pada nilai wajar dikategorikan sebagai level 2 dalam hierarki nilai wajar, kecuali untuk kredit yang diberikan kepada nasabah, wesel ekspor, pinjaman, dan pinjaman subordinasi dikategorikan sebagai level 3 dalam hierarki nilai wajar.

Financial instruments not measured at fair values

As of 31 December 2023 and 2022, 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.

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 2023 dan 2022.

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 2023 and 2022.

Nilai wajar aset dan liabilitas keuangan selain yang disebutkan di atas mendekati nilai tercatatnya karena memiliki jangka waktu yang pendek dan/atau suku bunganya sering ditinjau ulang.

The fair value of financial assets and liabilities other than those mentioned in the above approximated to the carrying amount because they are short term in nature, and/or the interest rates are reprised frequently.

Saling hapus

Pada 31 Desember 2023 dan 2022, tidak terdapat aset dan liabilitas keuangan yang saling hapus pada laporan posisi keuangan.

Offsetting

As of 31 December 2023 and 2022, there is no financial assets and liabilities that are subject to offset in the statement of financial position.

Bank memiliki kredit yang diberikan yang dijamin dengan jaminan tunai (Catatan 17), yang menjadi subyek untuk memenuhi *netting arrangements* dan perjanjian serupa, yang tidak saling hapus pada laporan posisi keuangan.

The Bank has loans collateralised by cash collateral (Note 17), which are subject to enforceable netting arrangements and similar agreements that are not set off in the statement of financial position.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

34. PENDAPATAN BUNGA BERSIH

	31 Desember/ December 2023	31 Desember/ December 2022
Pendapatan bunga		
Kredit yang diberikan kepada nasabah	4.062.126	3.073.640
Efek-efek yang dibeli dengan janji dijual kembali	1.135.530	503.715
Penempatan pada Bank Indonesia	788.449	421.392
Efek-efek untuk tujuan investasi	721.974	873.866
Wesel Ekspor	219.632	62.507
Giro pada Bank Indonesia	54.867	43.554
Penempatan pada bank lain-lain	30.684	10.475
Giro pada bank-bank lain	26.344	2.786
Lain-lain	-	573
Jumlah	7.039.606	4.992.508
Beban bunga		
Deposito berjangka dan deposits on call	(1.395.192)	(609.341)
Pinjaman yang diterima dan pinjaman subordinasi	(611.746)	(249.052)
Giro	(382.806)	(245.737)
Tabungan	(87.963)	(84.128)
Simpanan dari bank lain	(84.639)	(28.015)
Lainnya	(55.889)	(29.352)
Jumlah	(2.618.235)	(1.245.625)
Pendapatan bunga bersih	4.421.371	3.746.883

34. NET INTEREST INCOME

Interest income
Loans to customers
Securities purchased with agreement to resell
Placements with Bank Indonesia
Investment securities
Export bills
Demand deposits with Bank Indonesia
Placement with other banks
Demand deposits with other banks
Others
Subtotal
Interest expenses
Time deposits
and deposits on call
Borrowings and subordinated debt
Demand deposits
Saving accounts
Deposit from other banks
Others
Subtotal
Net interest income

35. PENDAPATAN PROVISI DAN KOMISI - BERSIH

	31 Desember/ December 2023	31 Desember/ December 2022
Pendapatan provisi dan komisi		
Kartu	247.250	211.998
Jasa kustodian (Catatan 41)	197.543	208.956
Asuransi	218.139	272.656
Unit trusts	128.972	171.302
Fasilitas kredit	115.391	94.694
Ekspor/impor	87.983	102.600
Remittance	73.799	69.635
Lain-lain	5.446	9.378
Jumlah	1.074.523	1.141.219

35. NET FEES AND COMMISSIONS INCOME

Fees and commissions income
Cards
Custodial services (Note 41)
Insurance
Unit trusts
Credit facilities
Export/import
Remittance
Others
Total

36. PENDAPATAN INSTRUMEN YANG DIPERDAGANGKAN - BERSIH

	31 Desember/ December 2023	31 Desember/ December 2022
Pendapatan bunga	133.196	112.982
Instrumen keuangan pendapatan tetap:		
- Keuntungan/(kerugian) yang belum direalisasi	13.733	(5.809)
- Keuntungan yang direalisasi	403.972	138.029
Instrumen derivatif	895.445	752.864
Jumlah	1.446.346	998.066

36. TRADING INCOME - NET

Interest income
Fixed income instruments:
Unrealised gain/(loss) -
Realised gain -
Derivative instrument
Total

37. PEMBENTUKAN/(PEMBALIKAN) NILAI PENURUNAN

	31 Desember/ December 2023	31 Desember/ December 2022
Kredit yang diberikan kepada nasabah (Catatan 17)	590.028	(267.140)
Giro pada bank-bank lain (Catatan 8)	3.980	995
Efek-efek untuk tujuan investasi (Catatan 11)	295	(681)
Wesel ekspor (Catatan 15)	(95.935)	79.636
Tagihan akseptasi (Catatan 16)	(29.928)	29.211
Komitmen dan kontinjensi (Catatan 25)	(26.384)	120.000
Penempatan pada bank-bank lain (Catatan 10)	(25)	47
Aset lain-lain	2	71.362
Jumlah	442.033	33.430

37. PROVISION/(REVERSAL) OF IMPAIRMENT LOSSES

Loans to customers (Note 17)
Demand deposits with other banks (Note 8)
Investment securities (Note 11)
Export bills (Note 15)
Acceptance receivables (Note 16)
Commitments and contingencies (Note 25)
Placements with other banks (Note 10)
Other assets
Total

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

38. BEBAN KARYAWAN

	31 Desember/ December 2023	31 Desember/ December 2022
Gaji dan tunjangan	1.618.716	1.632.000
Imbalan pasca-kerja (Catatan 27)	35.173	33.366
Lain-lain	29.800	28.316
Jumlah	1.683.689	1.693.682

Salaries and allowance
Post-employment benefits obligation
(Note 27)
Others
Total

39. BEBAN UMUM DAN ADMINISTRASI

	31 Desember/ December 2023	31 Desember/ December 2022
Biaya teknologi informasi dan dukungan teknis	677.966	576.270
Premi LPS	189.648	183.672
Beban kantor dan peralatan kantor	179.597	234.124
Komunikasi	84.751	85.930
Alih daya	67.623	76.539
Pungutan tahunan OJK perbankan	59.231	57.063
Iklan dan promosi	52.901	59.385
Jasa profesional	38.086	152.165
Transportasi	21.815	22.293
Asuransi	14.345	13.338
Perlengkapan kantor dan percetakan	4.348	5.367
Lain-lain	168.049	148.726
Jumlah	1.558.360	1.614.872

Information technology and technical support
LPS premium
Premises and equipment
Communication
Outsourcing
Bank annual FSA levy
Advertising and promotion
Professional fees
Transportation
Insurance
Printing and stationery
Others
Total

40. PERPAJAKAN

a. Pajak dibayar dimuka

	31 Desember/ December 2023	31 Desember/ December 2022
Pajak penghasilan badan: Tahun 2021	-	93.141
Pajak lain-lain	-	-
Pajak dibayar di muka sehubungan dengan pemeriksaan pajak (Catatan 40g - 40h)	772.421	737.747
Jumlah	772.421	830.888

Corporate income tax
Year 2021
Other tax:
Prepaid tax in relation with tax audit assessment
(Note 40g - 40h)

Manajemen Bank berkeyakinan bahwa pajak dibayar dimuka dapat dipulihkan seluruhnya.

The Bank's management believes that prepaid taxes are fully realisable.

b. Utang pajak

	31 Desember/ December 2023	31 Desember/ December 2022
Pasal 25	74.871	6.237
Pasal 29 - 2023	97.374	27.711
Pasal 29 - 2022	430	-
Jumlah	172.675	33.948

Article 25
Article 29 - 2023
Article 29 - 2022
Total

c. Beban pajak penghasilan terdiri dari:

	31 Desember/ December 2023	31 Desember/ December 2022
Pajak kini	790.175	558.269
Tambahan beban pajak 2022	430	-
Pajak tangguhan - pembentukan dari perbedaan temporer	(89.696)	8.797
Surat Ketetapan Pajak	-	9
Jumlah	700.909	567.075

Current tax
Additional tax expense 2022
Deferred tax - origination of temporary differences
Tax Assessment Letter
Total

c. Income tax expense consisted of the following:

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

40. PERPAJAKAN (lanjutan)

40. TAXATION (continued)

- d. Rekonsiliasi antara laba sebelum pajak menurut laporan laba rugi dengan laba kena pajak adalah sebagai berikut:

- d. The reconciliation between profit before tax per statement of profit or loss and taxable income are as follows:

	31 Desember/ December 2023	31 Desember/ December 2022	
Laba sebelum pajak	3.149.098	2.469.673	Profit before tax
Perbedaan temporer:			Temporary differences:
Liabilitas imbalan kerja jangka pendek	19.432	3.094	Short-term employee benefits obligation
Penyisihan kerugian penurunan nilai aset keuangan	425.222	(13.750)	Allowance for impairment losses from financial assets
Beban imbalan pasca-kerja dan imbalan kerja lainnya	(16.996)	457	Post-employment and other benefits expense
Penyusutan aset tetap dan amortisasi aset tak berwujud	(24.403)	35.994	Depreciation of fixed assets amortization of intangible assets
Lain-lain	2.500	(65.783)	Others
	405.755	(39.988)	
Perbedaan permanen:			Permanent differences:
Rugi atas penerimaan yang sudah dikenakan penghasilan final	-	595	Loss related to proceed subject to final income tax
Penyusutan kendaraan non-operasional	474	1.147	Depreciation of non-operational vehicles
Representasi, sumbangan dan denda	22.144	16.362	Representation, donations and penalties
Lain-lain	14.234	89.797	Others
	36.852	107.901	
Laba kena pajak	3.591.705	2.537.586	Taxable income
Beban pajak kini	790.175	558.269	Current tax expense
Pajak dibayar dimuka	(692.801)	(530.558)	Prepaid tax
Pajak penghasilan badan terutang	97.374	27.711	Corporate income tax payable

- e. Rekonsiliasi antara beban pajak dan hasil perkalian laba akuntansi sebelum pajak dengan tarif pajak yang berlaku adalah sebagai berikut:

- e. The reconciliation between the total tax expense and the amounts computed by applying the statutory tax rates to income before tax are as follows:

	31 Desember/ December 2023	31 Desember/ December 2022	
Laba sebelum pajak	3.149.098	2.469.673	Income before tax
Tarif pajak yang berlaku	22%	22%	Applicable tax rate
	692.802	543.328	
Perbedaan permanen	8.107	23.738	Permanent differences
Surat Ketetapan Pajak	-	9	Tax Assessment Letter
Jumlah beban pajak	700.909	567.075	Total tax expense

- f. Rincian dari aset pajak tangguhan bersih Bank adalah sebagai berikut:

- f. The details of the Bank's net deferred tax assets are as follows:

	31 Desember/ 31 December 2022	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/ 31 December 2023	
Aset pajak tangguhan:					Deferred tax assets:
Penyisihan kerugian penurunan nilai aset keuangan	166.924	93.914	-	260.838	Allowance for impairment losses on financial assets
Penyisihan surat berharga (FVOCI)	1.067	65	-	1.132	Provision for securities (FVOCI)
Penyusutan aset tetap dan amortisasi aset tak berwujud	(10.255)	(5.369)	-	(15.624)	Depreciation of fixed assets and amortization of intangible assets
Beban imbalan pasca-kerja dan imbalan kerja lainnya	117.762	536	(348)	117.950	Post-employment and other benefits
Laba/(rugi) belum direalisasi perubahan nilai wajar efek-efek untuk tujuan investasi	20.371	-	(6.441)	13.930	Unrealised gain/(loss) from changes in fair value of investment securities
Lain - lain	30.554	550	-	31.104	Others
Aset pajak tangguhan - bersih	326.423	89.696	(6.789)	409.330	Deferred tax assets - net

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

40. PERPAJAKAN (lanjutan)

- f. Rincian dari aset pajak tangguhan bersih Bank adalah sebagai berikut (lanjutan):

	31 Desember/ 31 December 2021	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/ 31 December 2022
Aset pajak tangguhan:				
Penyisihan kerugian penurunan nilai aset keuangan	169.799	(2.875)	-	166.924
Penyisihan surat berharga (FVOCI)	1.217	(150)	-	1.067
Penyusutan aset tetap dan amortisasi aset tak berwujud	(18.173)	7.918	-	(10.255)
Beban imbalan pasca-kerja dan imbalan kerja lainnya	117.370	782	(390)	117.762
Laba/(rugi) belum direalisasi perubahan nilai wajar efek-efek untuk tujuan investasi	(102.440)	-	122.811	20.371
Lain - lain	45.026	(14.472)	-	30.554
Aset pajak tangguhan - bersih	212.799	(8.797)	122.421	326.423

Manajemen berpendapat bahwa aset pajak tangguhan dapat dipulihkan seluruhnya.

- g. Bank memiliki sengketa pajak pada tingkat Direktorat Jenderal Pajak ("DJP"), Pengadilan Pajak dan Mahkamah Agung sebagai berikut:

Sengketa Pajak/ Tax Dispute	Tahun Pajak/ Fiscal Year	Jumlah Sengketa Pajak (dalam jutaan rupiah)/ Amount of Outstanding Tax Dispute (in million Rupiah)	Status/ Status
PPh Badan / CIT	2015	602	Pengadilan Pajak telah menerbitkan putusan banding dengan mengabulkan sebagian banding Bank pada bulan Oktober 2023. Bank akan mengajukan Peninjauan Kembali pada bulan Januari 2024 atas putusan banding yang belum dikabulkan dan saat ini Bank sedang menunggu putusan Mahkamah Agung./ Tax Court has issued partially granted decision on October 2023. Bank will submit Civil Review in January 2024 on adverse decision and currently waiting for Supreme Court decision.
PPh Badan / CIT	2016	42.959	Bank mengajukan banding ke Pengadilan Pajak pada bulan Februari 2023 dan saat ini Bank sedang menunggu putusan banding/ Bank has submitted tax appeal in February 2023 and currently waiting for tax court decision.
PPN / VAT	2016	2.820	Bank mengajukan banding ke Pengadilan Pajak pada bulan Maret 2023 dan saat ini Bank sedang menunggu putusan banding/ Bank has submitted tax appeal in March 2023 and currently waiting for Tax Court Decision.
PPh Badan / CIT	2017	269.805	Bank mengajukan banding ke Pengadilan Pajak pada bulan Oktober 2020 dan saat ini Bank sedang menunggu putusan banding./ Bank has submitted tax appeal in October 2020 and currently Bank is waiting for tax court decision.
PPh 21 / WHT Art.21	2017	7.436	Bank mengajukan banding ke Pengadilan Pajak pada bulan September 2020 saat ini Bank sedang menunggu putusan banding. / Bank has submitted tax appeal in September 2020 and currently Bank is waiting for tax court decision.
PPN / VAT	2017	15.882	Bank mengajukan banding ke Pengadilan Pajak pada bulan September 2020 dan saat ini Bank sedang menunggu putusan banding./ Bank has submitted tax appeal in September 2020 and currently Bank is waiting for tax court decision.

40. TAXATION (continued)

- f. The details of the Bank's net deferred tax assets are as follows (continued):

Management believes that deferred tax assets are fully realisable.

- g. Bank has outstanding tax dispute in the stages of Directorate General of Taxes ("DGT"), Tax Court, Supreme Court as follows:

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

40. PERPAJAKAN (lanjutan)

40. TAXATION (continued)

- g. Bank memiliki sengketa pajak pada tingkat Direktorat Jenderal Pajak ("DJP"), Pengadilan Pajak dan Mahkamah Agung sebagai berikut (lanjutan):

- g. Bank has outstanding tax dispute in the stages of Directorate General of Taxes ("DGT"), Tax Court, Supreme Court as follows (continued):

<u>Sengketa Pajak/ Tax Dispute</u>	<u>Tahun Pajak/ Fiscal Year</u>	<u>Jumlah Sengketa Pajak (dalam jutaan rupiah)/ Amount of Outstanding Tax Dispute (in million Rupiah)</u>	<u>Status/ Status</u>
PPH 26 / WHT Art.26	2017	-	Mahkamah Agung mengeluarkan putusan peninjauan kembali pada bulan Maret 2023 dan Desember 2022 yang menolak permohonan peninjauan kembali PPh 26 Masa Agustus dan Desember 2017/ Supreme Court has issued adverse decision on Bank's civil review submission in March 2023 and December 2022 for the period of August and December 2017.
PPH Badan / CIT	2018	36.807	DJP telah menerbitkan keputusan keberatan dengan mengabulkan sebagian permohonan keberatan pada bulan September 2023. Bank telah mengajukan permohonan Banding kepada Pengadilan Pajak pada bulan Desember 2023/ DGT has issued partially granted decision in September 2023. Bank has submitted tax appeal submission to Tax Court in December 2023.
PPN / VAT	2018	2.697	DJP telah menerbitkan keputusan keberatan dengan mengabulkan sebagian keberatan pada bulan November 2023. Bank telah mengajukan permohonan Banding kepada Pengadilan Pajak pada bulan Februari 2024./ DGT has issued partially granted decision in November 2023. Bank will submit tax appeal submission to Tax Court in February 2024.
PPH Badan / CIT	2019	141.686	Bank mengajukan banding ke Pengadilan Pajak pada bulan Oktober 2022 dan saat ini Bank sedang menunggu putusan banding./ Bank has submitted tax appeal in October 2022 and currently Bank is waiting for tax court decision.
Seluruh Jenis Pajak / All Taxes	2020	-	Saat ini DJP sedang melaksanakan pemeriksaan kepada Bank. Sampai dengan tanggal pelaporan keuangan ini pemeriksaan pajak tersebut masih berlangsung. / The Bank is currently being audited by DGT for fiscal year 2020. Until the date of issuance of this financial statement, the result of tax audit is still ongoing.
PPH Badan / CIT	2021	3.844	Bank mengajukan keberatan pada bulan Juni 2023. Sampai dengan saat ini proses keberatan masih berlangsung/ Bank has submitted objection in June 2023. Until date of issuance of this financial statement, the tax objection is still ongoing.
PPN / VAT	2021	390	Bank mengajukan keberatan pada bulan Juni 2023. Sampai dengan saat ini proses keberatan masih berlangsung/ Bank has submitted objection in June 2023. Until date of issuance of this financial statement, the tax objection is still ongoing.

- h. 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.

- h. 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.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

40. PERPAJAKAN (lanjutan)

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.

Sengketa pajak pada tingkat Direktorat Jenderal Pajak ("DJP"), Pengadilan Pajak dan Mahkamah Agung yang dimiliki oleh BUT HSBC adalah sebagai berikut:

Sengketa Pajak/ Tax Dispute	Tahun Pajak/ Fiscal Year	Jumlah Sengketa Pajak (dalam jutaan rupiah)/ Amount of Outstanding Tax Dispute (in million Rupiah)	Status/ Status
PPh Badan / C/I	2013	30.802	Pengadilan Pajak telah menerbitkan putusan banding dengan mengabulkan sebagian banding Bank pada bulan Oktober 2023. Bank akan mengajukan Peninjauan Kembali pada bulan Januari 2024/ Tax Court has issued partially granted decision in October 2023. Bank will submit Civil Review in January 2024.
PPh 26 (4) / WHT Art. 26(4)	2013	4.620	Pengadilan Pajak telah menerbitkan putusan banding dengan mengabulkan sebagian banding Bank pada bulan Oktober 2023. Bank akan mengajukan Peninjauan Kembali pada bulan Januari 2024/ Tax Court has issued partially granted decision in October 2023. Bank will submit Civil Review in January 2024.
PPh Badan / C/I	2014	33.947	Bank mengajukan banding ke Pengadilan Pajak pada bulan April 2021 dan Saat ini Bank sedang menunggu putusan banding./ Bank has submitted tax appeal in April 2021 and currently Bank is waiting for tax court decision.
PPh 26 (4) / WHT Art. 26(4)	2014	5.092	Bank mengajukan banding ke Pengadilan Pajak pada bulan April 2021 dan saat ini Bank sedang menunggu putusan banding./ Bank has submitted tax appeal in April 2021 and currently Bank is waiting for tax court decision.

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 the Financial Services 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. PE HSBC is in the tax dispute process for tax ID revocation.

Outstanding tax dispute in the stages of Directorate General of Taxes ("DGT"), Tax Court, Supreme Court of PE HSBC as follows:

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

40. PERPAJAKAN (lanjutan)

Sengketa pajak pada tingkat Direktorat Jenderal Pajak ("DJP"), Pengadilan Pajak dan Mahkamah Agung yang dimiliki oleh BUT HSBC adalah sebagai berikut (lanjutan):

40. TAXATION (continued)

Outstanding tax dispute in the stages of Directorate General of Taxes ("DGT"), Tax Court, Supreme Court of PE HSBC as follows (continued):

Sengketa Pajak/ Tax Dispute	Tahun Pajak/ Fiscal Year	Jumlah Sengketa Pajak (dalam jutaan rupiah)/ Amount of Outstanding Tax Dispute (in million Rupiah)	Status/ Status
PPh Badan / CIT	2015	43.382	Pengadilan Pajak telah mengeluarkan putusan banding pada bulan Oktober 2023. Bank akan mengajukan Peninjauan Kembali pada bulan Januari 2024/ Tax Court has issued decision in October 2023. Bank will submit Civil Review in January 2024.
PPh 26 (4) / WHT Art. 26(4)	2015	6.507	Pengadilan Pajak telah mengeluarkan putusan banding pada bulan Oktober 2023. Bank akan mengajukan Peninjauan Kembali pada bulan Januari 2024/ Tax Court has issued decision in October 2023. Bank will submit Civil Review in January 2024.
PPh Badan / CIT	2016	61.123	Pengadilan Pajak telah mengeluarkan putusan banding mengabulkan sebagian banding Bank pada bulan Juli 2023. Bank telah mengajukan Peninjauan Kembali pada bulan November 2023./ Tax Court has issued partially granted decision in July 2023. Bank has submitted Civil Review in November 2023.
PPh 26 (4) / WHT Art. 26(4)	2016	9.168	Pengadilan Pajak telah mengeluarkan putusan banding mengabulkan sebagian banding Bank pada bulan Juli 2023. Bank telah mengajukan Peninjauan Kembali pada bulan November 2023/ Tax Court has issued partially granted decision in July 2023. Bank has submitted Civil Review in November 2023.
PPN / VAT	2016	6.105	Pengadilan Pajak telah mengeluarkan putusan banding mengabulkan sebagian banding Bank pada bulan Juli 2023. Bank telah mengajukan Peninjauan Kembali pada bulan November 2023/ Tax Court has issued partially granted decision in July 2023. Bank has submitted Civil Review in November 2023.
PPh Badan / CIT	2017	5.942	Bank mengajukan banding ke Pengadilan Pajak pada bulan September 2020 dan saat ini Bank sedang menunggu putusan banding/ Bank has submitted tax appeal in September 2020 and currently Bank is waiting for tax court decision.
PPh 26 (4) / WHT Art. 26(4)	2017	8.636	Bank mengajukan banding ke Pengadilan Pajak pada bulan September 2020 dan saat ini Bank sedang menunggu putusan banding dari Pengadilan Pajak/ Bank has submitted tax appeal in September 2020 and currently Bank is waiting for tax court decision.
PPN / VAT	2017	4.518	Bank mengajukan banding ke Pengadilan Pajak pada bulan September 2020 dan saat ini Bank sedang menunggu putusan banding dari Pengadilan Pajak/ Bank has submitted tax appeal in September 2020 and currently Bank is waiting for tax court decision.
PPh Badan / CIT	2018	24.004	Pada bulan Desember 2023, DJP mengabulkan sebagian permohonan keberatan Bank dan Bank akan mengajukan permohonan Banding ke Pengadilan Pajak paling lambat bulan Maret 2024/ In December 2023, DGT has issued partially granted objected decision and Bank will submit tax appeal submission to tax court in March 2024 at the latest.
PPh 26 (4) / WHT Art. 26(4)	2018	3.601	Pada bulan Desember 2023, DJP mengabulkan sebagian permohonan keberatan Bank dan Bank akan mengajukan permohonan Banding ke Pengadilan Pajak paling lambat bulan Maret 2024/ In December 2023, DGT has issued partially granted objected decision and Bank will submit tax appeal submission to tax court in March 2024 at the latest.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

41. JASA KUSTODIAN

Divisi Jasa Kustodian Bank mendapatkan izin untuk menyediakan jasa kustodian dari Badan Pengawas Pasar Modal Otoritas Jasa Keuangan berdasarkan Surat Keputusan No. S-05/PM.2/2017 tanggal 20 Januari 2017.

Pada tanggal 31 Desember 2023 dan 2022, 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.

Aset yang terdapat dalam aktivitas jasa lainnya tidak termasuk dalam laporan keuangan ini. Pada tanggal 31 Desember 2023 dan 2022 total pendapatan jasa kustodian bersih masing-masing sebesar Rp 197.543 dan Rp 208.956 (Catatan 35).

41. CUSTODIAL SERVICES

The Bank's Custodial Services Division obtained a license to provide custodial services from the Capital Market Supervisory Agency Division of Financial Services Authority under its Decree No. S-05/PM.2/2017 dated 20 January 2017.

As at 31 December 2023 and 2022, 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.

Assets that are held in other activities are not included in these financial statements. On 31 December 2023 and 2022, total custodian services fee amounted to Rp 197,543 and Rp 208,956 respectively (Note 35).

42. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN PIHAK-PIHAK BERELASI

Dalam kegiatan normal usaha, Bank melakukan transaksi dengan pihak berelasi karena hubungan kepemilikan dan/atau kepengurusan. Semua transaksi dengan pihak-pihak berelasi telah dilakukan dengan kebijakan dan syarat yang telah disepakati bersama.

Rincian saldo yang signifikan dengan pihak berelasi pada tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut:

42. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Bank enters into certain transactions with parties which are related to the management and/or owned by the same ultimate shareholder. All transactions with related parties have met the agreed terms and conditions.

The details of significant balance with related parties as of 31 December 2023 and 2022 are as follows:

Laporan Posisi Keuangan

	2023	
	Jumlah/ Amount	Persentase/ Percentage ¹⁾
Giro pada bank-bank lain	629.505	0,50
Penempatan pada bank-bank lain	117.759	0,09
Wesel ekspor	-	-
Tagihan derivatif	57.441	0,05
Kredit yang diberikan kepada nasabah	61.385	0,05
Aset Lain-lain	377.428	0,30
Simpanan dari nasabah	260.570	0,24
Simpanan dari bank-bank lain	1.199.115	1,13
Liabilitas derivatif	6.690	0,01
Utang akseptasi	171.140	0,16
Beban akrual dan provisi	161.695	0,15
Liabilitas lain-lain	332.338	0,31
Pinjaman yang diterima	9.469.155	8,90
Pinjaman subordinasi	1.154.775	1,09

¹⁾ Persentase terhadap jumlah aset/liabilitas

Statements of Financial Position

	2022	
	Jumlah/ Amount	Persentase/ Percentage ¹⁾
Demand deposits with other banks	731.395	0,58
Placements with other banks	225.433	0,18
Export bills	4.922	0,00
Derivative receivables	118.845	0,09
Loans to customers	75.418	0,06
Other Assets	201.587	0,16
Deposits from customers	284.138	0,26
Deposits from other banks	1.299.685	1,20
Derivative payables	17.076	0,02
Acceptance payables	23.101	0,02
Accruals and provisions	143.444	0,13
Other Liabilities	287.925	0,27
Borrowings	7.550.237	6,98
Subordinated debt	1.167.563	1,08

¹⁾ Percentage of the total assets/liabilities

Laporan Laba Rugi dan Penghasilan Komprehensif Lain

	2023	
	Jumlah/ Amount	Persentase/ Percentage ²⁾
Beban umum dan administrasi	745.912	47,87
Beban bunga	611.746	23,36
Beban provisi dan komisi	40.334	9,76
Pendapatan provisi dan komisi	65.621	4,41
Pendapatan bunga	354	0,01
Pendapatan lainnya - bersih	184	0,99

²⁾ Persentase terhadap masing-masing jumlah pendapatan/beban

Statement of Profit or Loss and Other Comprehensive Income

	2022	
	Jumlah/ Amount	Persentase/ Percentage ²⁾
General and administrative expenses	583.041	36,10
Interest expenses	249.052	19,99
Fees and commission expenses	37.521	5,82
Fees and commissions income	26.101	1,46
Interest income	115	0,00
Other income - net	174	0,72

²⁾ Percentage of the respective total income/expenses

PT BANK HSBC INDONESIA

**CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023**

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

**42. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN
PIHAK-PIHAK BERELASI (lanjutan)**

**42. NATURE OF RELATIONSHIP AND
TRANSACTIONS WITH RELATED PARTIES
(continued)**

Komitmen dan Kontinjensi

Commitments and Contingencies

2023		2022		
Jumlah/ Amount	Persentase/ Percentage ³⁾	Jumlah/ Amount	Persentase/ Percentage ³⁾	
Tagihan kontinjensi:				
Garansi yang diterima dari bank-bank lain	3.667.333	73,45	10.663.857	89,24
Kewajiban kontinjensi:				
Garansi yang diberikan	(2.838.659)	32,40	(2.519.165)	25,38
³⁾ Persentase terhadap masing-masing komitmen/kontinjensi	jumlah	Percentage of the respective total commitments/contingencies ³⁾		

Pada tanggal 31 Desember 2023 dan 2022, seluruh aset keuangan dengan pihak berelasi memiliki kualitas lancar berdasarkan kolektibilitas Bank Indonesia.

As of 31 December 2023 and 2022, all financial assets with the related party are classified as current based on Bank Indonesia collectibility.

Pihak berelasi/Related party	Sifat relasi/Nature of relationship	Jenis transaksi/Type of transaction
The Hongkong and Shanghai Banking Corporation Limited, (Indian branches) Mumbai	Entitas sepengendali/ Under common control	Giro pada bank-bank lain, liabilitas lain-lain, beban akrual dan provisi, garansi yang diberikan, garansi yang diterima / Demand deposits with other banks, other liabilities, accruals and provisions, guarantess provided, guarantees received
The Hongkong and Shanghai Banking Corporation Limited, (Japanese branches) Tokyo	Entitas sepengendali/ Under common control	Giro pada bank-bank lain / Demand deposits with other banks
The Hongkong and Shanghai Banking Corporation Limited, (New Zealand branches) Auckland	Entitas sepengendali/ Under common control	Giro pada bank-bank lain / Demand deposits with other banks
Hang Seng Bank Limited	Entitas sepengendali/ Under common control	Utang akseptasi / Acceptance payables
HSBC Bank plc, London	Entitas sepengendali/ Under common control	Simpanan dari bank-bank lain, transaksi derivatif, utang akseptasi, liabilitas lain-lain, beban akrual dan provisi, garansi yang diberikan, garansi yang diterima/ Placements with other banks, derivative transactions, acceptance payables, other liabilities, accruals and provisions, bank guarantees provided, guarantees received from other banks
The Hongkong and Shanghai Banking Corporation Limited, (Singaporean branches) Singapore	Entitas sepengendali/ Under common control	Aset lainnya, transaksi derivatif, simpanan dari bank-bank lain, simpanan dari nasabah, liabilitas lain-lain, beban akrual dan provisi, garansi yang diberikan, garansi yang diterima/ Other assets, derivative transactions, deposits from other banks, deposits from customer, other liabilities, accruals and provisions, bank guarantees provided, guarantees received from other banks
The Hongkong and Shanghai Banking Corporation Limited	Entitas sepengendali/ Under common control	Giro pada bank-bank lain, penempatan pada bank-bank lain, aset lain-lain, transaksi derivatif, utang akseptasi, pinjaman yang diterima, simpanan dari bank-bank lain, liabilitas lain-lain, beban akrual dan provisi, garansi yang diberikan, garansi yang diterima/ Demand deposit with other banks, placements with other banks, other assets, derivative transactions, acceptance payables, borrowings, deposits from other banks, other liabilities, accruals and provisions, bank guarantees provided, guarantees received from other banks
HSBC Trinkaus and Burkhardt AG	Entitas sepengendali/ Under common control	Simpanan dari bank-bank lain, beban akrual dan provisi, transaksi derivatif, utang akseptasi, garansi yang diberikan, garansi yang diterima/ Deposits from other banks, accrual and provisions, derivative transactions, acceptance payables, bank guarantees provided, guarantees received from other banks
HSBC Bank Malaysia Berhad	Entitas sepengendali/ Under common control	Giro pada bank-bank lain, simpanan dari bank-bank lain, utang akseptasi, beban akrual dan provisi, garansi yang diterima/ Demand deposit with other banks, deposits from other banks, acceptance payables, accruals and provisions, guarantees received from other banks

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

42. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN PIHAK-PIHAK BERELASI (lanjutan)

Rincian sifat hubungan dan jenis transaksi yang signifikan dengan pihak berelasi pada tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut (lanjutan):

42. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES (continued)

The details of the relationship and type of significant transactions with related parties as of 31 December 2023 and 2022 are as follows (continued):

<u>Pihak berelasi/Related party</u>	<u>Sifat relasi/Nature of relationship</u>	<u>Jenis transaksi/Type of transaction</u>
HSBC Asia Pacific Holdings (UK) Limited	Perusahaan induk/ Parent company	Giro pada bank-bank lain, aset lain-lain, pinjaman subordinasi, garansi yang diberikan/ Demand deposit with other banks, other assets, subordinated loan, bank guarantees provided
HSBC Bank USA, National Association (NA)	Entitas sepengendali/ Under common control	Giro pada bank-bank lain, aset lain-lain, simpanan dari bank-bank lain, liabilitas lain-lain, beban akrual dan provisi, garansi yang diberikan, garansi yang diterima/ Demand deposit with other banks, other assets, deposits from other banks, other liabilities, accruals and provisions, bank guarantees provided, guarantees received from other banks
HSBC Bank (China) Company Limited	Entitas sepengendali/ Under common control	Giro pada bank-bank lain, utang akseptasi, garansi yang diterima/ Demand deposit with other banks, acceptance payables, guarantees received from other banks
HSBC France	Entitas sepengendali/ Under common control	Garansi yang diterima/ Guarantees received from other banks
HSBC Bank (Taiwan) Limited	Entitas sepengendali/ Under common control	Simpanan dari bank-bank lain, utang akseptasi/ Deposits from other banks, acceptance payables
HSBC Bank Middle East Limited	Entitas sepengendali/ Under common control	Utang akseptasi/ Acceptance payables
HSBC Sekuritas Indonesia	Entitas sepengendali/ Under common control	Aset lain-lain, simpanan dari nasabah, beban akrual dan provisi/ Other assets, deposits from customer, accruals and provisions
HSBC Continental Europe	Entitas sepengendali/ Under common control	Giro pada bank-bank lain, Simpanan dari bank-bank lain, beban akrual dan provisi, garansi yang diberikan, garansi yang diterima/ Demand deposit with other banks, deposits from other banks, accruals and provisions, bank guarantees provided, guarantees received from other banks
HSBC Bank Israel	Entitas sepengendali/ Under common control	Garansi yang diterima/ Guarantees received from other banks
HSBC Bank Philippines	Entitas sepengendali/ Under common control	Garansi yang diterima/ Guarantees received from other banks
The Hongkong and Shanghai Banking Corporation Limited, (Thailand branch) Bangkok	Entitas sepengendali/ Under common control	Giro pada bank-bank lain, simpanan dari bank-bank lain/ Demand deposit with other banks, deposits with other banks
The Hongkong and Shanghai Banking Corporation Limited, (Australian branches) Sydney	Entitas sepengendali/ Under common control	Giro pada bank-bank lain, transaksi derivatif, simpanan dari bank-bank lain, beban akrual dan provisi, garansi yang diberikan, garansi yang diterima/ Demand deposit with other banks, derivative transactions, deposits with other banks, guarantees provided, guarantess received from other banks
HSBC Bank Canada	Entitas sepengendali/ Under common control	Giro pada bank-bank lain, simpanan dari bank-bank lain/ Demand deposit with other banks, deposits with other banks
German	Entitas sepengendali/ Under common control	Beban akrual dan provisi / Accruals and provisions
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

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

42. SIFAT HUBUNGAN DAN TRANSAKSI DENGAN PIHAK-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 2023 dan 2022, kredit yang diberikan kepada personil manajemen kunci dikategorikan sebagai lancar berdasarkan kolektibilitas Bank Indonesia.

Remunerasi personil manajemen kunci untuk tahun yang berakhir pada tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut:

	<u>31 Desember/ December 2023</u>	<u>31 Desember/ December 2022</u>
Imbalan kerja jangka pendek	350.803	328.220
Imbalan pasca-kerja	35.508	23.055
Imbalan kerja berbasis saham	10.482	12.179
Imbalan kerja jangka panjang lainnya	3.970	5.126
	<u>399.763</u>	<u>368.580</u>
Rincian gaji, tunjangan dan bonus Dewan Komisaris, Direksi, Komite Audit, Komite Pemantau Risiko dan manajemen kunci selama periode yang berakhir tanggal 31 Desember 2023 dan 2022 adalah sebagai berikut:		
	<u>31 Desember/ December 2023</u>	<u>31 Desember/ December 2022</u>
Direksi		
Gaji dan imbalan kerja jangka pendek	73.457	74.166
Imbalan kerja berbasis saham	4.526	7.185
Imbalan kerja jangka panjang lainnya	1.187	2.266
Imbalan pasca-kerja	13.528	4.381
	<u>92.698</u>	<u>87.998</u>
Dewan Komisaris		
Gaji dan imbalan kerja jangka Pendek	5.390	5.758
Imbalan pasca-kerja	2.663	824
	<u>8.053</u>	<u>6.582</u>
Komite Audit dan Pemantau Risiko		
Gaji dan imbalan kerja jangka pendek	792	792
	<u>792</u>	<u>792</u>
Manajemen Kunci		
Gaji dan imbalan kerja jangka pendek	271.164	247.504
Imbalan pasca-kerja	19.317	17.850
Imbalan kerja berbasis saham	5.956	4.994
Imbalan kerja jangka panjang lainnya	2.783	2.860
	<u>299.220</u>	<u>273.208</u>
	<u>400.763</u>	<u>368.580</u>

42. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES (continued)

Transactions with key management personnel

Key management personnel are parties who have the authority and responsibility to control the Bank activities, directly or indirectly.

Key management personnel include the Board of Commissioners, Directors and certain Heads of Division that have significant authority and responsibility for planning, directing and controlling the Bank's activities.

As of 31 December 2023 and 2022, loans to the key management personnel are classified as current based on Bank Indonesia collectability.

Remuneration of key management personnel for the years ended 31 December 2023 and 2022 are as follows:

	<u>31 Desember/ December 2023</u>	<u>31 Desember/ December 2022</u>
Short-term employee benefits	328.220	328.220
Post-employment benefits plan	23.055	23.055
Share-based compensation	12.179	12.179
Other long-term employee benefits	5.126	5.126
	<u>368.580</u>	<u>368.580</u>
Details of salaries, allowance and bonuses of the Board of Commissioners, Directors, Audit Committee, Risk Monitoring Committee and key management for the periods ended 31 December 2023 and 2022 are as follows:		
	<u>31 Desember/ December 2023</u>	<u>31 Desember/ December 2022</u>
Directors		
Salaries and short-term employee benefits	74.166	74.166
Share-based compensation	7.185	7.185
Other long-term employee benefits	2.266	2.266
Post-employment benefits	4.381	4.381
	<u>87.998</u>	<u>87.998</u>
Board of Commissioners		
Salaries and short-term employee benefits	5.758	5.758
Post-employment benefits	824	824
	<u>6.582</u>	<u>6.582</u>
Audit and Risk Monitoring Committees		
Salaries and short-term employee benefits	792	792
	<u>792</u>	<u>792</u>
Key Management		
Salaries and short-term employee benefits	247.504	247.504
Post-employment benefits	17.850	17.850
Share-based compensation	4.994	4.994
Other long-term employee benefits	2.860	2.860
	<u>273.208</u>	<u>273.208</u>
	<u>368.580</u>	<u>368.580</u>

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

43. KOMITMEN DAN KONTINJENSI

Pada tanggal 31 Desember 2023 dan 2022, komitmen dan kontinjensi Bank adalah sebagai berikut:

	31 Desember/ December 2023	31 Desember/ December 2022	
Komitmen			Commitment
Kewajiban komitmen			Committed liabilities
L/C yang tidak dapat dibatalkan	(1.412.474)	(2.919.149)	Irrevocable L/C
Fasilitas kredit yang belum digunakan - <i>committed</i>	(8.095.243)	(9.250.873)	Unused credit facilities - committed
Fasilitas kredit yang belum digunakan - <i>uncommitted</i>	(68.707.488)	(65.368.206)	Unused credit facilities - uncommitted
Jumlah kewajiban komitmen	(78.215.205)	(77.538.228)	Total committed liabilities
Kontinjensi			Contingency
Tagihan kontinjensi			Contingent receivables
Bank garansi yang diterima	4.502.556	11.687.225	Bank guarantees accepted
Lainnya	490.320	262.466	Others
	4.992.876	11.949.691	
Kewajiban kontinjensi			Contingent liabilities
Bank garansi yang diberikan	(8.760.457)	(9.927.719)	Bank guarantees provided
Tagihan kontinjensi - bersih	(3.767.581)	2.021.972	Contingent receivables - net

Bank garansi diterbitkan atas nama nasabah dalam rangka penjaminan pembayaran kredit dan pelaksanaan proyek.

Pada tanggal 31 Desember 2023 dan 2022, L/C dan bank garansi diterbitkan untuk pihak berelasi dan pihak ketiga.

Pada tanggal 31 Desember 2023 dan 2022, terdapat beberapa tuntutan hukum, pengurusan administrasi dan klaim yang belum terselesaikan dalam kegiatan usaha Bank. Mengingat bahwa proses hukum masih berlangsung, 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.

43. COMMITMENTS AND CONTINGENCIES

As of 31 December 2023 and 2022, Bank's commitments and contingencies are as follows:

Bank guarantees are issued on behalf of customers for credit repayment and project implementation purposes.

As of 31 December 2023 and 2022, L/C and bank guarantees were issued to related parties and third parties.

As of 31 December 2023 and 2022, there are several legal actions, administrative proceedings, and claims in the ordinary course of the Bank's business. Since those legal cases are still in the process, 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.

44. 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.

44. SIGNIFICANT AGREEMENTS

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.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN
31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

44. PERJANJIAN PENTING (lanjutan)

Management support agreement (lanjutan)

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 antar-grup – HBAP

Pada tanggal 31 Maret 2017, Bank telah menandatangani Perjanjian Layanan Jasa Antar-grup dengan The Hongkong and Shanghai Banking Corporation Limited (HBAP), dimana HBAP telah setuju untuk memberikan jasa-jasa yang berkaitan dengan pemberian bantuan teknis untuk bidang-bidang sesuai dengan kesepakatan para pihak.

Efektif tanggal 1 Januari 2019, pemberi layanan jasa untuk layanan *management support agreement* dan perjanjian layanan jasa antar-grup – HBAP diatas, akan berubah dari the Hongkong and Shanghai Banking Corporation Limited (HBAP) menjadi HSBC Global Services (HK) Limited (HGSH). Perubahan ini merupakan bagian restrukturisasi guna memiliki sebuah organisasi yang memberikan pelayanan secara global (HSBC Global Services) dimana HGSH merupakan bagian di dalamnya, *ring-fenced* dari grup HSBC. HGSH merupakan anak perusahaan yang dimiliki secara penuh oleh HSBC Global Services Limited. Tidak ada perubahan yang berarti dalam hal pelayanan yang diberikan sesuai dengan kondisi yang ada saat ini.

Perjanjian Kerjasama Bancassurance

Pada bulan Juni 2022, Bank mengadakan perjanjian *bancassurance* dengan PT Asuransi Allianz Life Indonesia ("Allianz") dan mengakhiri perjanjian sebelumnya. Bank akan mendistribusikan produk asuransi jiwa Allianz kepada nasabahnya melalui saluran distribusi Bank. Perjanjian tersebut berlaku selama 15 tahun.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

44. SIGNIFICANT AGREEMENTS (continued)

Management support agreement (continued)

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.

Effective on 1 January 2019, the service provider for the above management support agreement and intra-group service agreement – HBAP, is 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.

Bancassurance Agreement

In June 2022, the Bank entered into a bancassurance agreement with PT Asuransi Allianz Life Indonesia ("Allianz") and terminate its previous agreement. The Bank will distribute range of life insurance products of Allianz to its customers through the Bank's distribution channels. The agreement is effective for 15 years.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

45. 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 2023 dan 2022, 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 4,25% untuk simpanan dalam Rupiah dan 2,25% untuk simpanan dalam mata uang asing pada tanggal 31 Desember 2023 (31 Desember 2022: 3,75% dan 1,75%).

Pada tahun yang berakhir pada tanggal 31 Desember 2023 dan 2022, total biaya premi LPS yang dibebankan oleh Bank masing-masing sebesar Rp 189.648 dan Rp 183.672 (Catatan 39).

46. STANDAR AKUNTANSI BARU YANG TELAH DITERBITKAN NAMUN BELUM BERLAKU EFEKTIF

Pernyataan Standar Akuntansi Keuangan ("PSAK") dan Interpretasi Standar Akuntansi Keuangan ("ISAK") yang telah disahkan oleh Dewan Standar Akuntansi Keuangan ("DSAK"), berlaku efektif sejak 1 Januari 2024 dan penerapan dini diperkenankan:

- Amendemen PSAK 1 "Penyajian Laporan Keuangan" - Klasifikasi Liabilitas Lancar atau Tidak Lancar;
- Amendemen PSAK 1 "Penyajian Laporan Keuangan" - Liabilitas Jangka Panjang dengan Kovenan;
- Amendemen PSAK 73 "Sewa" - Liabilitas Sewa pada Transaksi Jual dan Sewa Balik.
- Amendemen PSAK 2 "Laporan Arus Kas" dan amendemen PSAK 60 "Instrumen Keuangan: Pengungkapan" - Pengaturan Pembiayaan Pemasok; dan
- Amendemen PSAK 10 "Pengaruh Perubahan Kurs Valuta Asing" - Kekurangan Ketertukaran.

PSAK yang berlaku efektif sejak 1 Januari 2025 dan penerapan dini diperkenankan:

- PSAK 74 "Kontrak Asuransi".
- Amendemen PSAK 74: "Kontrak Asuransi" terkait Penerapan Awal PSAK 74 dan PSAK 71 - Informasi Komparatif.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

45. 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 31 December 2023 and 2022 based on the Government Regulation of the Republic of Indonesia No. 66 of 2008 dated 13 October 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 4.25% for deposits in rupiah and 2.25% for deposits in foreign currencies as of 31 December 2023 (31 December 2022: 3.75% and 1.75%).

As of the years ended on 31 December 2023 and 2022, total LPS premium booked by the Bank amounted to Rp 189,648 and Rp 183,672, respectively (Note 39).

46. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Statements of Financial Accounting Standards ("SFAS") and Interpretation of Financial Accounting Standards ("ISFAS") issued by the Board of Financial Accounting Standards ("DSAK"), will be effective on 1 January 2024 and early implementation is permitted:

- Amendment of SFAS No. 1 "Presentation of financial statement" - Classification of Liabilities as Current or Noncurrent;
- Amendment of SFAS No. 1 "Presentation of financial statement" - Non-current Liabilities with Covenants;
- Amendment of SFAS 73 "Leases" - Lease liability in a Sale and Leaseback.
- Amendment of SFAS 2 "Statement of Cash Flows" and amendment of PSAK 60 "Financial Instrument: Disclosure" - Supplier Finance Agreements; and
- Amendment of SFAS 10 "Foreign Exchange Rates" - Lack of Exchangeability.

SFAS that will become effective in 1 January 2025 and early implementation is permitted:

- SFAS 74 "Insurance Contracts".
- Amendment of SFAS 74: "Insurance Contract" regarding Initial Application of SFAS 74 and SFAS 71 - Comparative Information.

PT BANK HSBC INDONESIA

CATATAN ATAS LAPORAN KEUANGAN

31 DESEMBER 2023

(Dinyatakan dalam jutaan Rupiah, kecuali dinyatakan lain)

**46. STANDAR AKUNTANSI BARU YANG TELAH
DITERBITKAN NAMUN BELUM BERLAKU EFEKTIF
(lanjutan)**

Mulai tanggal 1 Januari 2024, referensi terhadap masing-masing PSAK dan ISAK akan diubah sesuai yang dipublikasikan oleh DSAK.

Pada saat penerbitan laporan keuangan, Bank masih mengevaluasi dampak yang mungkin timbul dari penerapan standar baru dan revisi tersebut terhadap laporan keuangan.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(Expressed in millions of Rupiah, unless otherwise stated)

**46. NEW ACCOUNTING STANDARDS ISSUED BUT
NOT YET EFFECTIVE (continued)**

Beginning 1 January 2024, references to the individual SFASs and ISFASs will be changed as published by DSAK.

As at the authorisation date of this financial statement, the Bank is still evaluating the potential impact of these new and revised standards to the financial statements.

2023

Annual Report
PT BANK HSBC INDONESIA

UNLOCKING OPPORTUNITIES IN **INDONESIA**



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