



Traditional Music

Budi Santoso - Consumer Risk Division, Jakarta

2nd Winner Culture Category - Danamon's Photography Competition



Operational Review

Risk Management



Risk is an inherent part of Danamon's business activities. Danamon applies Enterprise Risk Management, a comprehensive process to identity, measure, monitor, and control variety of risks in all business level, equipped with reliable control systems.

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

Danamon employs risk management framework and governance to provide comprehensive control and management of major inherent risks in its business activities as consolidated and managed comprehensively by considering the possibilities of interactions between one-risk exposures with the other.

Danamon employs holistic approach toward eight risks categories in accordance with Bank Indonesia's definitions, which consists of credit, market, liquidity, operational, strategic, reputation, legal, and compliance risk.

Danamon's Risk Appetite Statement (RAS) outlines the levels and nature of risks that the Bank will take, in order to articulate its mission for the stakeholders, subject to constraints imposed by the debtors, regulators, and customers.

PILLARS AND PRINCIPLES OF RISK MANAGEMENT

The Bank implements Seven Pillars of Risk Management, focused on:

a. First Pillar – Good Corporate Governance

In order to strengthen good corporate governance, our risk management organization involves active supervision and oversight from the Board of Commissioners, the Board of Directors and Syariah Supervisory Board (for Syariah Unit). To assist in carrying out its responsibilities, the Board committees are established when required.

b. Second Pillar – Risk Framework

Every member of staffs is expected to comprehend and play a part in risk management according to their respective functions and responsibilities. Integrated Risk will be responsible for defining the Risk Architecture and provide ground rules for managing risk as well as risk oversight. All Lines of Businesses and Support Function will work within the general guidelines established by the Integrated Risk Management Group.

The Compliance Department will be responsible to ensure that all the regulations issued by Bank Indonesia and other regulatory authorities are socialized and followed by all related LOB and Support Functions.

Internal Audit Department will be responsible to ensure that the Line of Businesses and Support Functions are performing their roles and responsibilities and comply with the entire approved policies and procedures regarding risk management and control.

Risk Management

c. Third Pillar –Risk Management Standard

Bank has a consistent and disciplined approach to the identification, measurement, monitoring and controlling credit, market, liquidity, operational, and other risk in a transparent manner.

d. Fourth Pillar – Accounting Standard

All financial accounting, reports, and records supplied to regulators and other external stakeholders must comply with at least the local regulations.

e. Fifth Pillar – Technology & MIS

Bank adopt a scalable and reliable technology that is commensurate to our size and the nature of our business activities. We develop a robust technology to support implementation of risk management framework.

f. Sixth Pillar – Human Resources

Managers and officers who deal with risk at all levels must be qualified and experienced in accordance with the nature, size, and complexity of the Bank business operations. Qualifications and skill levels required for staffs at each job level must be clearly defined to ensure we have the right person in each position.

g. Seventh Pillar – Risk Awareness and Culture

Danamon continuously applies a prudent approach in developing its business strategy. This business strategy is acclimatized with the risk appetite, which will be expressed by Danamon.

Subsequently, in the monitoring, control and management of risk, Danamon applies the following principles.

Three Lines of Defense

Danamon implements the following “Three Lines of Defense” approach in designing and executing a risk management and control framework:

a. First Line of Defense

The Business Units serve as the first line of defense and are accountable for identifying, assessing, controlling and mitigating risks in business. The business units have the primary responsibility for the day-to-day management of the risk exposures of their business. They are accountable for the risk arising from their pursuit of business opportunities, consistent with the approved target market for their business.

b. Second Line of Defense

The independent Integrated Risk Management unit and Compliance Division are the key operators in providing the second line of defense, through an independent oversight function. The independent Integrated Risk Management Group is expected to review and approve risk boundaries for the various business units, and thereafter, to work closely with the business units to ensure that risks undertaken

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by businesses are appropriately identified, measured and managed within agreed parameters and reported accordingly, to the designated party.

The Compliance Division manages compliance risk and has the responsibility to ensure that all the regulations issued by Bank Indonesia and other regulatory authorities are disseminated and followed by all relevant business units in all the Bank's activities and levels of organization.

c. Third Line of Defense

Internal Audit plays the role of the third line of defense in the risk management and control framework by independently testing and auditing the efficacy and robustness of the processes of the business and support units to ensure that they are performing their roles and responsibilities, and comply with various risk management and control policies and procedures, as approved by the BOD. Internal Audit should also independently review the portfolio quality of each line of business as well as market risk positions and exposures.



Integrated Risk Management

Danamon believes in Integrated Risk Management as an approach to manage all risks. With the principle of integration, Danamon sees all risk as consolidated and thus manages it comprehensively, by considering the possibility of interaction between one-risk exposures with another. This general approach will assure that all risks, both on and off the balance sheet, will be managed in an integrated manner.

By applying an integrated approach to risk management, Danamon has a proactive and systematic risk management process to identify, quantify and manage all risks inherent in the Bank's activities; these include Credit Risk,

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Market, Liquidity, Operational, Legal, Strategic, Reputation, Compliance and other risks. Danamon has also implemented integrated risk management with subsidiary risk.

Danamon implements IRM, with the consideration that the IRM can ensure:

- The Bank has adopted a comprehensive approach towards all types of risks – Credit, Market, Liquidity, Legal Operations, Strategic, Reputation, Compliance and other risks.
- All risks will be measured and recorded accurately.
- Sufficient monitoring and reporting on all exposures is at hand
- The risk management is structured and adequate for each line of business
- Consistency in risk management policy and implementation
- Availability of a sufficient system and technology to manage risks.
- Availability of adequate and competent human resources for risk management at all levels.

RISK MANAGEMENT ORGANIZATIONAL STRUCTURE

Danamon has developed a distinct organizational structure for risk management, consisting of several risk committees and a Risk Division with varying degrees of responsibility. Based on this structure, there are precise roles and responsibilities for all employees responsible for risk management.

The Bank's risk management organization involves supervision from the Board of Commissioners and Board of Directors. The Risk Monitoring Committee is the highest risk authority, which stands at the Board of Commissioners level. This committee serves as a board of trustees to oversee the implementation of strategies and risk management policies, risk exposure and to evaluate the Board of Directors' accountability.

Risk Management Organizational Structure



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Risk Management

Danamon set the Risk Management Committee at the Board of Directors' level with the responsibility of managing the Bank's and its subsidiaries' overall risk. This committee is to oversee the development of risk strategies, policies and is to evaluate significant risk issues.

To perform the functions of integrated risk management, Danamon has established an Integrated Risk Management Group that serves as an oversight for the Bank's overall credit, market, liquidity and operational risks. This group is a centralized and independent function of the Operations Unit (risk taking units) and from the internal control unit. The Integrated Risk Management Group defines the Bank's risk architecture and develops an overall risk management strategy, which includes bank-wide policies, boundaries and controls for all lines of business.

The independency of the Integrated Risk Group is intended to create a risk management model that is effective, efficient and independent of any business interests or supervisory functions of relatively parallel institutions.

At a functional level, Danamon has set the following conditions:

- Credit risk is managed by Enterprise Risk & Policy, Chief Credit Officer Wholesale and Chief Credit Officer Retail & Mass Market.
- Market and Liquidity risk is managed by Market & Liquidity Risk.
- Operational risk is managed by Fraud & Operation Risk Management.
- Reputation risk is managed by the Corporate Secretary.

- Strategic risk is managed by the Strategic Risk Working Unit.
- Legal risk is managed by Legal & Litigation.
- Compliance risk is managed by Compliance.

The main elements of Danamon's risk management good corporate governance structure are:

- Active monitoring by the Board of Commissioners and Board of Directors and Syariah Supervisory Board
- Adequate Policy, Procedure, and Determination of Limits
- Risk Management Process and System
- Internal Control System.

Active Monitoring by the Board of Commissioners, Syariah Supervisory Board and Board of Directors

The organizational chart structure shows that the Board of Commissioners, Syariah Supervisory Board and the Board of Directors all play a vital role in the success of risk management, through active monitoring. With a full understanding of their strategic role, Danamon has assigned specific tasks for each position, briefly described below.

Active Monitoring by the Board of Commissioners

Some of the active monitoring functions that are part of the Board of Commissioners' roles include:

- a. Responsible for approving the general framework of risk management policy recommended by Managing Director and/or Board of Directors, through the Risk Management Director.
- b. Administer monitoring of risks and evaluate Board of Directors' accountability of the implementation of risk management policy, strategy and exposure through a periodic review with the Managing Director, Board of Directors or with the Director of Risk Management.

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- c. Conduct Risk Management functions as stipulated in the regulations.
- d. Delegate authority to approve/recommend business activities and other functions to the Managing Director, Board of Directors or the Director of Risk Management.

The Board of Commissioners may delegate a risk-monitoring function to the Risk Monitoring Committee. However, the Board of Commissioners still holds the final responsibility for the monitoring of risk management implementation.

Active Monitoring by the Syariah Supervisory Board

Danamon assigns the Syariah Supervisory Board to the Syariah Line of Business, as recommended by the National Syariah Board – Majelis Ulama Indonesia, and as approved by Bank Indonesia, in compliance with the applied regulation. The Syariah Supervisory Board's functions and active roles in risk management include:

- a. Assessing and ensuring compliance of the Syariah Line of Business products, policies/procedures and activities with Syariah principles, and conduct surveillance to conform with the fatwa of the National Syariah Board – Majelis Ulama Indonesia.
- b. Evaluating Risk Management Policies in relation to compliance with Syariah principles.
- c. Evaluating Board of Directors' accountability of Risk Management policy implementation in relation to compliance with Syariah principles.

Active Monitoring by the Board of Directors

The Board of Directors is in charge of operation, and comprehensively determining policy directions and the risk management strategy, along with its implementation. The Board of Directors' functions and active roles in risk management cover:

- a. Establish the Bank's risk appetite.
- b. Responsible for the development of a risk management policy.
- c. Responsible for the implementation of risk management policy, strategies, framework and risk exposure undertaken by the Bank.
- d. Develop a risk management culture at all levels of the organization.
- e. Monitor the Bank's risk quality by benchmarking it with a reasonable risk level.
- f. Periodically review the risk management framework, processes and policies.
- g. Ensure competency enhancement of human resources related to the implementation of risk management.

The Board of Directors establishes the Risk Management Committee to assist in carrying out its functions and responsibilities, in the form of the Risk Management Committee. Nevertheless, the Board of Directors still holds responsibility for its role in monitoring the implementation of risk management.

Adequacy of Policy, Procedures and Determination of Limits

The Risk Management Policy has been set to ensure that the Bank's risk exposure is consistent with internal policies and procedures, and also with external laws, regulations and other related provisions. The Bank is managed by officials with sufficient knowledge, skills and expertise in risk management, in line with the business' level of complexity. To achieve this, Danamon has assigned:

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1. An Integrated Risk Management group responsible to centrally coordinate all risk management policies and implementation. This working unit will develop bank-wide core risk policies, and control of risk management to be followed by the Line of Business and Subsidiaries.
2. Line of Business and Subsidiaries to create consistent guidelines and procedures of products consistent with the Bank's policies, prudent principles, and related regulations.
3. Awareness of risk and compliance with policies, procedures and risk limit, as a mindset for all risk officials. No one is allowed to deliberately override the policy or limit without approval. All deviations or exceptions must be approved by authorized officials.
4. All policies and procedures must be disseminated to the entire organization. Senior officials in each Line of Business, Product Unit or Supporting Unit shall provide appropriate risk oversight to ensure that risk policies have been implemented properly and effectively.
5. All policies and limits should be reviewed at least once a year or more frequently in the event of significant changes to ensure that the Bank's practices are in accordance with the expected risk limits.
6. In creating its risk management policy, Danamon has included the following items:
 - a. To conduct risk identification and know how to mitigate risk in a clear and controlled manner.
 - b. Establish a clear line of responsibility and accountability in managing each type of risk.
 - c. Establish a methodology that can measure risk and a management information system which will support the business.
 - d. Assign a limit determination procedure which describes the maximum acceptable loss that is consistent with the Bank's risk appetite and tolerance.
 - e. Prepare contingency plans.
 - f. Policies and procedures on new products and activities.
 - g. The establishment of an internal control system for the implementation of risk management. A fundamental component in the system of internal control is the independent evaluation and review of the effectiveness of existing processes and systems.

Risk Management Processes and Risk Management Information System

Risk Management Processes

Danamon conducts a process of identification, measurement, monitoring and control of all risks faced, from central to subsidiary level.

Risk Identification

A risk identification process will determine the scope and scale of the measurement, monitoring, and risk control stages. Proactive risk identification covers all Danamon business activities and is conducted in order to analyze the sources and the potential risks and impacts. Identification is done by analyzing all types and characteristics of risk inherent in any business activity, which also includes the Bank's products and other services.

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Risk Measurement

The risk measurement system is used to measure Danamon's risk exposure as a reference to exert control. The measurement's approach and methodology can be quantitative, qualitative, or a combination of both. Risk measurement is done on a regular basis for products, portfolio, and for all Danamon's business activities.

Risk Monitoring

Risk monitoring is done by evaluating the risk exposures inherent in the entire portfolio of products and business activities as well as the effectiveness of Danamon's risk management process.

Danamon has also established a portfolio management procedure as an integral part of risk management. The objective of portfolio management is to achieve a balanced risk portfolio and to establish a frame of reference in making decisions on individual exposures. The Integrated Risk Management Group is responsible for managing the Bank's exposure to the portfolio, while the business unit is responsible for individual exposures. The Integrated Risk Management Group recommends various limit concentrations and monitors achieved exposure. Limits will be reviewed at least once a year. Changes on limit can be set when necessary.

In portfolio management, the Bank seeks to maintain capital equal to the level of risk that the Bank undertakes.

Risk Control

Risk control is done by providing follow-up action on moderate and high risks, which exceeds the limit, increasing control (close supervision), increasing capital to absorb potential losses, and periodic internal audits.

In Danamon's Risk Management structure, Integrated Risk Management consolidates the entire Bank's risk exposure, managed by the functional units as persons in charge.

Line of Business and subsidiaries are operational working units responsible for managing the risks from the beginning to the end, within its scope of responsibilities. They must clearly identify measure, monitor, control and define mitigation to manage risks before entering into any activities that contain risks. The risk working unit's responsibilities include credit approvals/recommendations in the form of a credit committee.

Risks in the operational working unit are managed by the Business Risk Heads of the line of business. Business Risk Head has indirect responsibility reporting to the Integrated Risk Director in his supervisory functions. In carrying out its role as risk monitoring and control at the operational unit, the Integrated Risk Management Group will evaluate the entire business plan, policies and products. At a certain level of risk-taking, Integrated Risk Management Group, as a member of the Head Office's Credit Committee, will provide recommendations for credit decisions.

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Risk Management Information System

In order to provide an effective control and monitoring system, Danamon's Risk Management Information Systems are in place and cover a sufficient level of detail, such as Internal Rating System, Central Liability System, Market Risk Engine within Treasury System, and Operation Risk Management System. These Management Information Systems enable the Bank to detect any adverse development at an early stage, allowing for timely implementation of corrective measures aimed at minimizing losses to the Bank.

Internal Control

Danamon has applied internal control which covers:

- a. Determining the organizational structure through clear definitions of functions between the business units with risk management unit.
- b. Assign the risk management unit, an independent work unit whose role is to create risk management policies, risk measuring methodologies, risk limit determination, and data/model validation.
- c. Each functional transaction and activity with risk exposure will be reviewed and monitored as necessary by each business unit.

Additionally, Danamon always ensures compliance with various key points in the control process, including: compatibility of internal control system and bank risks, the establishment of the policy monitoring authority, procedures and limits, a clear organizational structure and adequate "four eyes principle", as well as sufficient procedures to comply with applied regulations.

Danamon implements an effective risk management and internal control system which includes the implementation of the three lines of defense, assignment of risk tolerance and application of risk and cultural awareness as described in the previous section.

Danamon also periodically analyzes the effectiveness of risk management implementation including adequacy of policy, procedures, and management information system. This includes internal audit on risk management process and monitoring on corrective actions taken in response to the audits findings.

RISK MANAGEMENT POLICY GOVERNANCE

Danamon implements an Integrated Risk Management (IRM) that allows Management to manage risks across all business units. Integrated risk management is a combination of a series of strategies, processes, resources, competencies and technologies aimed at evaluating and managing risk. The application of IRM is intended to add value for shareholders through integration between the determination of risk appetite and risk tolerance, to be in alignment with business strategy, by improving the quality of the risk management process to improve effective and efficient capital management.

IRM can effectively ensure consistent application of risk management governance and optimize the risk management function to support and influence business decisions in terms of pricing, resource allocation and other business decisions. Application of IRM is done on an ongoing basis,

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supported by a unified organizational structure, ranging from senior management, competent human resources and adequate information technology.

IRM uses a process-oriented approach to risk management, which focuses on the future, so that the Bank is able to manage all major risks. Risk management leads to the determination of risk appetite number or tolerance limits that can be undertaken by the Bank in determining a portfolio is in line with the carefully considered price risk, reflected in the amount of capital allocated for the risk, as well as supporting business development. Given the importance of risk management in banking, Danamon strives to implement a risk management framework that is adaptive, easy to understand and implement at all levels. To enhance risk management efficacy, Danamon also seeks to develop a culture of risk for the entire staff, to introduce awareness that risk management is essentially a shared responsibility, as any impact of risks will affect all levels of the company.

Risk Appetite

Risk appetite or risk tolerance is the risk value, which Danamon is willing to accept in order to reach a certain level of profit. Risk tolerance (risk appetite) is developed from the risk philosophy and business strategy, so that this tolerance must go in line and does not conflict with the philosophy and strategy of the business risk.

Danamon has developed a Risk Appetite Statement (RAS), which outlines the levels and nature of risks that the Bank will take in order to articulate its mission for stakeholders, subject to constraints imposed by debtors, regulators,

and customers. It is the responsibility of the Board of Directors and senior management to define Danamon risk appetite and to ensure that the Bank's risk management framework includes detailed policies that set specific firm-wide prudential limits on the Bank's activities, consistent with its RAS and capacity.

The aim of the Risk Appetite Statement is to enable execution of the Bank's articulated strategy while meeting the reasonable expectations of all stakeholders. It does not seek to prevent risk taking. It aims to ensure that risk taking across the groups is:

- In line with the Board of Directors' objectives
- Understood at appropriate level within the organization
- Optimized on a risk-return basis within the constraints of the Group Risk Appetite.

Risk Management Policy

Danamon's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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Danamon has an Enterprise Risk Management Policy that has been reviewed and approved in line with Bank Indonesia regulations. This policy is used as a guideline to the Bank's implementation of Risk Management. Additionally, in line with Bank Indonesia regulations on subsidiary risk management activities, subsidiaries have risk officials and the Bank, through Risk Management, oversees the implementation of comprehensive and integrated risk management.

According to industry best practices and the Basel II Risk Management Framework, Danamon has established an Integrated Risk function, composed of senior professionals covering credit risk, market and liquidity risk, and operational risk.

Integrated Risk is a function that is independent and separate from each line of business and risk-taking units. However, on a day-to-day basis, each line of business is also responsible for the risk management function in each of its business lines, respectively. In partnership with each line of business, the Integrated Risk Working Unit is responsible for setting up risk management policies and limits for all lines of businesses in accordance with core risk policies, which are the guiding principles of the Bank's credit business. The group also sets and updates all umbrella policies and procedures to identify, measure, analyze, and control all risks in each line of business (risk taking units). The Integrated Risk Working Unit also socializes the risk strategies and policies to all related business units and ensures a strong risk management and risk awareness culture throughout Danamon and its subsidiaries.

Risk Culture

Danamon believes that it is important for all employees to know and understand the risks faced in its activities. This creates a robust risk management culture. In this regard, the Bank is determined to build a combination of unique values, beliefs, implementation and management monitoring that will ensure all levels of Danamon conduct its operations prudently and refer to best practices.

Risk culture will be established through:

- Direction and supervision of the Board of Commissioners and Board of Directors.
- Introduction of risk management as an integral part of business operations.
- Compliance with all policies, procedures, laws and regulations.

Danamon is determined to build the risk culture awareness at all levels of the organization through:

- Communicating the importance of risk management
- Communicating the Bank's expected level of risk tolerance and the risk profile through various restrictions and portfolio management
- Giving employees the authority to prudently deal with the risks in their activities
- Monitoring the effectiveness of risk management in all areas.

SPECIFIC RISK MANAGEMENT

New Product and Activity Risk Management

Danamon includes new product and activity risk management plan in its Business Plan in accordance with applied regulations. This policy stipulates the procedures for the issuance and monitoring of Bank Products.

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New products are prepared and recommended by the Business Unit and Risk Management Unit in the product owner's Line of Business and Subsidiaries, and reviewed by the Risk Management Unit as well as other related divisions such as the Legal and Compliance Division. The product also has to go through a Compliance Test before being launched. Product approval authorities are categorized based on their level of risk, where high-risk products must be approved by the Managing Director. The level of risk is evaluated based on the product's performance, target customers, the complexity of the operational processes, and market conditions. For Syariah Work Unit products, a consultation with the Syariah Supervisory Board is required.

Danamon applies the precautionary principle in new products/activities launched to customers. With its extensive network, sizeable human resources capacity, as well as the capability and appropriate strategy, the Bank will seek to serve all segments of customers.

Syariah Business Risk Management

Based on the regulations of Bank Indonesia No. 13/23/PBI/2011 regarding the Implementation of Risk Management for Commercial Syariah Banks and Syariah Business Units, a Bank must implement Risk Management for two types of risks in the Syariah Business Unit: the Equity Investment Risk and Rate of Return Risk.

In line with the regulation, Danamon actively implements Risk Management on the Syariah Business Unit. In terms of policy, the Bank has its Enterprise Risk Management Policy as the main framework and the basic principles of risk management that must be followed by all lines of business and subsidiaries, including the Syariah Business Unit. Additionally, the Syariah Business Unit is also guided by the Syariah Principles,

which are the Islamic laws in banking activities based on the fatwa issued by relevant religious authorities.

The Syariah Business Unit's products and activities are reviewed by the Risk Management Working Unit and by other relevant units, and must also pass through a Compliance Test. Risk measurement is done by using a methodology that is appropriate to the Syariah's characteristics, by measuring the level of risk profile conducted on a quarterly basis. The risk profile report is evaluated and later submitted to Bank Indonesia.

In terms of management of risks that are related to Syariah principles compliance, the Syariah Supervisory Board gives its approval for policies, procedures, system and products related to Syariah principles compliance and also for the contracts used. In the implementation of Danamon's Syariah Business Unit Risk Management process and system, the Risk Management committee and Risk Management working unit of Danamon Conventional Bank also handles the Syariah Business Unit. In addition, the Syariah Business Unit Director is also member of the Risk Management committee. The Syariah Supervisory Board has been placed in Danamon's Syariah Business Unit and has run its main functions and task properly.

Risk Management of Subsidiaries

Danamon applies a consolidation process with its subsidiaries. The consolidation process of risk management is conducted by observing the differences in entity and characteristics between the company and its subsidiaries. Implementation of the consolidation process of risk management is done through assistance and alignment of risk management practices in risk governance, risk management policies and procedures, risk

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measurement methodologies, risk management reporting, and enhancement of risk awareness culture.

The Risk Management Unit continuously monitors the subsidiaries' portfolio performance and identifies any "early warning" in subsidiaries' portfolio quality. The Bank also provides technical assistance in the risk management process in relations to credit risk, market and liquidity risk, operational risk, human resources, information systems, policies and procedures, and methodologies of risk management.

Subsidiaries' risk exposure monitoring and evaluation is reported monthly and includes detailed and in-depth monitoring of the portfolio performance, including, but not limited to, a portfolio cap approved in the Product Program. Subsidiaries' risk management is one of the focus of Management, due to its significance in supporting the Bank's strategic plan.

FOCUS AND ACTIVITIES OF RISK MANAGEMENT IN 2013

Various programs have been conducted for the Bank's risk management activities, with the following results:

Integrated Risk Activities

- Danamon has been selected by Bank Indonesia and the Indonesia Financial Service Authority (FSA) along with 3 other Banks to be the benchmark of consolidated Risk Management, with subsidiaries.

- As one of the banks in Indonesia that created the Internal Capital Adequacy Assessment Process (ICAAP), based on best practice.

Credit Risk

- Successfully lowered the non-performing loans (NPL) and the Cost of Credit (CoC) from previous year.
- Developed the Probability of Default (PD) rating model for financial institutions with Moody's.
- Updated the industrial classification and developed the industry limits based on economic capital that will be used next year.

Operational Risk

- The first company in Indonesia & the first Bank in Southeast Asia with ISO 22301:2012 – Business Continuity Management System (BCMS) certification from British Standard Institution (BSI) Group.
- Founder and Chair of Indonesia BCM Forum, with 75 professional BCM members from 45 companies.
- As the initiator of the Fraud Forum in Indonesia's banking industry (case studies, updating the negative list).
- Changing the ORM approach of control, into risk-based LoB, support functions and its subsidiaries.
- Published the ORM e-learning 2013.

Market and Liquidity Risk

- Methodology for Market Risk measurement by using a more sophisticated approach of VaR, EAR and Economic Value of Equity.
- Risk exposure in proper level, approved products, instruments, currencies and markets.

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- Increased limit structure to enable precise risk-taking to be in line with the rate of return.
- Improve the reporting and monitor efficacy to further enhance analysis and control.

RISK PROFILE

Assessment of Risk Profile includes an assessment of the inherent risks and quality assessment of the implementation of Risk Management, which reflects the risk control system, both individually and on a consolidated basis for the Bank. The assessment is carried out on eight (8) Risks namely Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Legal Risk, Strategic Risk, Compliance Risk, and Reputational Risk. In assessing the risk profile, the Bank refers to Bank Indonesia regulations on the assessment of Commercial Banks' health level. The responsibility for coordinating risk profile report is in the Integrated Risk unit.

Based on monitoring results of each group of core risks of Danamon in 2013, the composite rank for the Bank's overall profile risk as of 31 December 2013 was 2 (Low to Moderate).

CAPITAL MANAGEMENT STRATEGY

Bank Capital Composition

In accordance with Bank Indonesia Regulation No. 14/18/PBI/2012 dated 28 November 2012, regarding the Minimum Capital Adequacy Ratio for Commercial Banks, the capital consists of:

1. Core Capital (Tier 1)
2. Supplementary Capital (Tier 2); and
3. Additional Supplementary Capital

As for Danamon, the current capital structure consists of:

1. Core Capital (Tier 1)
Comprises paid-up capital of common shares and disclosed reserves which consists of additional paid up capital, general reserve, prior years profit, current year profit (50%), calculating the deduction factors which consists of shortage in regulatory provision over allowance for impairment losses for productive assets, regulatory provision on non productive assets and Bank's investment in subsidiaries.
2. Supplementary Capital (Tier 2)
Comprises the regulatory provision general reserve on productive assets (maximum of 1.25% from RWA for credit risk) including deduction factor of Bank's investment in subsidiaries (50%).

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Capital Management Strategy

Pursuant to BI regulation No. 14/18/PBI/2012 dated 28 November 2012 on Minimum Capital Adequacy Ratio for Commercial Banks and BI Circular Letter No. 14/37/DPNP dated 27 December 2012 on Capital Adequacy Ratio (CAR) in Accordance with Risk Profile and Fulfillment of Capital Equivalency Maintained Assets (CEMA), Danamon is required to calculate its minimum CAR based on risk profile and to implement the Internal Capital Adequacy Assessment Process (ICAAP).

In assessing its adequacy capital, Danamon ensures capital adequacy both from:

1. Minimum CAR requirement set by Bank Indonesia, and
2. Internal capital adequacy, by ensuring sustainable capital adequacy to support the continuity of the Bank's operations.

Internal Capital Adequacy Assessment Process

With reference to the Basel II and Bank Indonesia regulations, and to enhance risk management effectiveness within the Bank, Danamon has implemented the Internal Capital Adequacy Assessment Process (ICAAP), which is a process to determine capital adequacy in accordance with the Bank's risk profile and determining strategies to maintain adequate capital levels.

Pursuant to regulations from Bank Indonesia, ICAAP implementation in Danamon is ensured by active monitoring by the Board of Commissioners and the Board of Directors, capital adequacy assessment process, monitoring and reporting of the Bank's risk profile, and adequate internal control.

The assessment result shows that the Bank managed to meet the minimum CAR based on risk profile. Based on ICAAP, the Bank will have sufficient available financial resources to fulfill its capital demand for Pillar 1 and Pillar 2 for the next three years. As part of its capital planning, Danamon maintains a dividend payout ratio of 30%, similar to previous year.

Capital Structure

As of December 31, 2013, Danamon is one of the bank with the highest level of capitalization in Indonesia, with consolidated CAR at 17.86% (Bank Stand Alone at 17.48%), well above the level required by Bank Indonesia. With a strong capital and supported by optimal capital management, the Bank's capital adequacy will not limit its future growth potential.

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The individual and consolidated quantitative disclosure of the Bank's capital structure is detailed in Table 1.a.

1.a. Quantitative Disclosure of Commercial Bank Capital Structure

(in million rupiah)

CAPITAL COMPONENT		31 December 2013		31 December 2012	
(1)	(2)	Bank (3)	Consolidated (4)	Bank (5)	Consolidated (6)
I	CAPITAL COMPONENT				
A	Core Capital	21,588,379	26,794,974	19,390,977	23,944,193
	1 Paid Up Capital	5,901,122	5,901,122	5,901,122	5,901,122
	2 Disclosed Reserve	17,150,001	22,453,245	15,148,691	19,543,414
	3 Innovative Capital	-	-	-	-
	4 Deduction Factor to Core Capital	(1,462,744)	(1,559,393)	(1,658,836)	(1,500,343)
	5 Minority Interest	-	-	-	-
B	Supplementary Capital	-	906,724	-	718,465
	1 Upper Tier 2	1,182,568	1,391,585	986,476	1,144,276
	2 Lower Tier 2 maximum 50% of Core Capital	-	-	-	-
	3 Deduction Factor of Supplementary Capital	(1,182,568)	(484,861)	(986,476)	(425,811)
C	Deduction Factor of Core and Supplementary Capital	-	-	-	-
	Securitization Exposure	-	-	-	-
D	Other Supplementary Capital which meet the criteria (Tier 3)	-	-	-	-
E	Other Supplementary Capital Allocated To Anticipate Market Risk	-	-	-	-
II	TOTAL CORE CAPITAL AND SUPPLEMENTARY CAPITAL (A + B - C)	21,588,379	27,701,698	19,390,977	24,662,658
III	TOTAL CORE CAPITAL, SUPPLEMENTARY CAPITAL, AND ADDITIONAL SUPPLEMENTARY CAPITAL ALLOCATED TO ANTICIPATE MARKET RISK (A + B - C + E)	21,588,379	27,701,698	19,390,977	24,662,658
IV	RISK WEIGHTED ASSETS (RWA) FOR CREDIT RISK **)	102,843,863	126,138,821	87,244,106	105,463,832
V	RISK WEIGHTED ASSETS (RWA) FOR OPERATIONAL RISK	20,269,187	28,600,198	17,940,744	24,707,404
VI	RISK WEIGHTED ASSETS (RWA) FOR MARKET RISK	397,427	401,131	315,042	315,042
VII	CAPITAL ADEQUACY RATIO FOR CREDIT RISK AND OPERATIONAL RISK [II:(IV+V)]	17.54%	17.90%	18.44%	18.95%
VIII	CAPITAL ADEQUACY RATIO FOR CREDIT RISK, OPERATIONAL RISK AND MARKET RISK [III : (IV + V + VI)]	17.48%	17.86%	18.38%	18.90%

- Risk Management
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Risk Management

IMPLEMENTATION OF RISK MANAGEMENT AND DISCLOSURE OF RISK EXPOSURE

A. CREDIT RISK

Credit risk is the potential failure of a borrower or counterparty to fulfill its obligations as stipulated in an agreement. Credit risk is a significant risk that mainly arises from the Bank's lending activities. However, credit risk can also arise from a variety of functional activities of the Bank, such as trade finance (guarantees, letters of credit), treasury and investment (inter-bank transactions, foreign exchange transactions, financial futures, swaps, bonds), which are recorded in the banking book or the trading book.

Credit risk may increase due to the concentration of lending, i.e. from the debtors, geographic region, products, types of financing, or a particular business field.

1. Credit Risk Management

Credit Risk Management implementation, including Credit Concentration Risk, is performed individually by the Bank and also on a consolidated basis with its subsidiaries. Credit Risk Management includes end-to-end processes of origination and approval, monitoring, the problem loan management process and portfolio management.

Danamon has a Credit Risk Policy to govern the extension of loans. These policies cover credit acceptance criteria, the origination, credit approval, exposure monitoring, problem recognition, remedial management and portfolio management.

Danamon also applies the principle of prudence risk management in loan extension activities. Credit approval authority is granted to the credit committee, where each member of the credit committee is selected based on quality, experience and business requirements. The provision of funds for the relevant parties shall be approved by the Board of Commissioners and reviewed by the Director of Compliance.

Danamon has an established policy that regulates the delegation of credit approval authorities, so that every credit decision has been approved by authorized credit committee members. This authorized credit committee members are selected based on professional qualifications, as well as by their experience, judgment and ability. In executing credit authority, the four-eye principle must be applied; credit approval decisions must be based on a detailed analysis, well documented, and regularly reviewed.

Danamon closely monitors the developments of its loan portfolio, including those of its subsidiaries. It also continues to conduct regular reviews and adjustments of all relevant policies and processes, including a Legal Lending Limit.

Risk Management

2. Credit Risk Concentrations

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Danamon encourages the diversification of its credit portfolio among a variety of geographic areas, industries, credit products, individual obligors, reflecting a well balanced and healthy risk profile, while focusing marketing efforts toward potential industries and customers in order to minimize credit risk.

This diversification is based on the Bank's strategy plan, target sector, current economic conditions, government policy, funding sources, and projections of growth.

3. Credit Risk Measurement and Control

Danamon closely monitors the performance, as well as events, that may impact the behavior of its loan portfolios, including those of Subsidiaries. Danamon has implemented a robust credit risk stress testing process, which is conducted regularly to anticipate any possible deterioration in

the loan portfolio as a result of any changes in economic conditions.

A bankwide review and credit portfolio monitoring is conducted on the Integrated Risk Work Group level. The same is applied to the line of business level (risk-taking units) for each business portfolio.

4. Past Due Loans and Impaired Loans

- Past Due Loans
For recognition of past due loans, the Bank uses the same methodology employed by Basel II:
 - The loan, in full or in part, is past due by 90 days or more. Past due includes failure to service interest.
- Impaired Loan
 - a. Assessment for Wholesale Segment
The impairment triggers must cover the following 4 (four) major areas:
 1. Repayment Status
The minimum criteria that can be used as objective evidence for impairment for loans classified as Non Performing Loans after equalization of collectability.
 2. Financial Performance of Debtor

- Risk Management
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- Information Technology
- Operations

Risk Management

Significant financial problems experienced by debtor can be studied from the latest financial position, financial ratios, and cash flows forecasts.

3. Assessment of the Debtor's Repayment Capacity

Assessment is conducted in the event of contract/credit agreement breach, significant fraud, loss of assets or key customers, legal actions by debtors that may result in bankruptcy.

4. Restructured Loans

Factors above are not an exhaustive list. There may be other factors or events that could impair the repayment capacity of the debtor. Thus, the Risk Management in the line of business must prudently monitor and document any rationale for the classification of impaired loans categories.

Danamon also monitors and clearly documents the rationale for the classification of impaired loan categories.

b. Assessment for Retail Segment

Collective impairment evaluation covers retail and mass-market portfolios that may not be individually evaluated otherwise. Collective classification applies to loan portfolios with similar credit risk characteristics. Usually these homogeneous pool loans are managed by credit programs.

Impaired loan for retail segment are loan with DPD greater than 90 days and restructured bills. The collective classifications must be supported by adequate documentation and assessed periodically. The addition of credit classifications shall be consented by the Integrated Risk Management Head with the approval of a Financial Control Head.

5. Provisioning

The setup of provisions for loans is made through:

- Loan Loss Provision (LLP), as specified in the Code of Indonesia Banking Accounting (PAPI) 2008 applied as of January 2010. Formation of loss reserves using LLP applied for all Line of Business (LOB) (conventional).
- Provision for Assets (PPA). The formation of PPA is subject to the prevailing provisions of Bank Indonesia. The formation of PPA applies to all Lines of Business and their subsidiaries. PPA is used for the purpose of calculating the Minimum Capital Adequacy Ratio. The formation of PPA also applies to Syariah financing.

Risk Management

6. Loan Loss Provisioning

In line with the Code of Indonesia Banking Accounting (PAPI), a calculation arrangement for Loan Loss Provision (LLP) has been set up, hereinafter called Loan Impairment. The calculation of loan loss provisioning, which was originally based on collectability, changed into Value Impairment using the methodology approved by the Board of Directors.

Impairment is a condition where there is objective evidence of unfavorable events as a result of one or more occurring events after the initial recognition of such credits and such unfavorable events impact on the estimation of future cash flows on financial assets or group financial assets, in a manner that can be reliably estimated.

Loan Loss Provision of Credit is a provision formed in the event that the carrying value of the credit is less than the initial carrying value after the impairment value. The definition of the above-mentioned term is in line with the Code of Indonesia Banking Accounting.

Assessment for impairment shall be grouped as follows:

a. Individual

The method of individual impairment calculation uses Discounted Cash Flow method

b. Collective

For the wholesale segmentation, if there is no objective evidence of loan impairment that is evaluated individually, loans are therefore included in the classification of loans to be evaluated and calculated by using the method of Migration Loss. Bank performs monitoring for classification of loans in the category of unimpaired loans.

For Retail & Mass Market Segments, collective impairment can be assessed using Net Flow Rate methodology or Vintage Analysis methodology.

Particularly for SME segment, the recognition of impairment is carried out under these conditions:

1. Impairment of debtors with facilities above Rp10 billion: the assessment shall be done individually
2. Debtors with facilities above Rp10 billion with no objective evidence of impairment and all debtors having plafond under Rp10 billion are collectively assessed

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

7. Provisioning for Assets (PPA)

Banks are required to calculate PPA against Earning Assets and Non-Earning Assets, in a form of:

- a. General reserves for Earning Assets
- b. Special reserves for Earning Assets and Non-Earning Assets

PPA calculation is at a minimum made in accordance with the Regulations of Bank Indonesia.

PPA general reserve is set at the lowest at 1% (one percent) of all Earning Assets classified as Current.

PPA Special reserve for Earning Assets and Non-Earning Assets is set at the lowest of:

- a. 5% (five percent) of Earning Assets classified in Special Mention after deducting the collateral value.
- b. 15% (fifteen percent) of Earning Assets and Non-Earning Assets classified as Substandard after deducting the collateral value.
- c. 50% (fifty percent) of Earning Assets and Non-Earning Assets classified as Doubtful after deducting the collateral value; or

- d. 100% (one hundred percent) of Earning Assets and Non-Earning Assets classified as Poor after deducting the collateral value.

Particularly for Syariah Financing, formation of reserves is implemented as follows:

- a. Murabahah Financing is calculated based on the balance of principal cost
- b. Murabahah Financing is calculated based on the balance cost
- c. Requirements to form a reserve are not applied to the transaction of Ijarah or Ijarah Muntahiya Bittamlik

Risk Management

8. Quantitative Disclosure of Credit Risks of Bank Danamon

The following tables disclose some of the quantitative credit risks of Bank Danamon for year 2013.

2.1.a. Disclosure of Net Receivables Based on Region—Bank Stand Alone

(in million rupiah)

No	Portfolio Category	31 December 2013 Net Receivables Based on Region							Total
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java, Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	Sumatera	Central Java and Yogyakarta	
(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Receivable on Sovereigns	22,612,824	-	-	-	-	-	-	22,612,824
2	Receivables on Public Sector Entities	907,848	-	-	-	-	-	-	907,848
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-
4	Receivables on Banks	8,897,954	12,455	217,570	78,088	118	7,829	224,695	9,438,709
5	Loans Secured by Residential Property	1,649,699	65,754	104,835	43,085	79,706	99,727	39,152	2,081,958
6	Loans Secured by Commercial Real Estate	422,870	-	178,474	-	-	83,665	-	685,009
7	Employee/Pensioner Loans	-	-	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	13,293,060	3,899,763	6,419,374	5,425,986	3,393,833	9,685,167	4,996,329	47,113,512
9	Receivables on Corporate	39,939,260	2,269,830	4,309,201	2,288,159	3,053,291	5,732,527	2,485,400	60,077,668
10	Past Due Receivables	238,683	75,142	177,916	149,312	112,464	264,373	172,024	1,189,914
11	Other Assets	3,576,626	225,086	563,852	576,165	330,860	775,616	462,584	6,510,789
12	Exposures at Syariah Business Unit (if any)	1,747,084	126,023	344,359	112,459	60,578	164,507	77,489	2,632,499
Total		93,285,908	6,674,053	12,315,581	8,673,254	7,030,850	16,813,411	8,457,673	153,250,730

Note:

The Disclosure on net receivables are conducted for assets exposure in balance sheet, commitments/contingencies exposure for off balance sheet transactions and counterparty credit exposures

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

31 December 2012
Net Receivables Based on Region

Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung (11)	West Java (12)	East Java, Bali, NTT, and NTB (13)	Sulawesi, Maluku, and Papua (14)	Kalimantan (15)	Sumatera (16)	Central Java and Yogyakarta (17)	Total (18)
18,275,003	-	-	-	-	-	-	18,275,003
588,171	-	-	-	-	-	432	588,603
-	-	-	-	-	-	-	-
7,094,242	24,819	133,712	68,640	115	32,324	193,528	7,547,380
1,682,077	39,282	67,552	52,652	72,305	101,781	55,267	2,070,916
359,799	-	157,103	-	-	87,517	-	604,419
-	-	-	-	-	-	-	-
12,516,976	4,110,861	6,803,298	5,385,315	3,636,428	10,282,529	5,572,926	48,308,333
27,655,544	1,623,624	3,232,979	1,896,898	2,517,533	4,537,011	2,047,818	43,511,407
359,506	125,770	216,859	128,711	102,432	296,421	217,466	1,447,165
4,091,378	169,890	436,341	456,986	334,437	636,056	348,329	6,473,417
1,209,251	156,003	309,694	127,461	72,695	112,904	60,386	2,048,394
73,831,947	6,250,249	11,357,538	8,116,663	6,735,945	16,086,543	8,496,152	130,875,037

Risk Management

2.1.b. Disclosure of Net Receivables Based on Region—Consolidated

(in million rupiah)

		31 December 2013							
		Net Receivables Based on Region							
No	Portfolio Category	Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java, Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	Sumatera	Central Java and Yogyakarta	Total
(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Receivable on Sovereigns	22,612,824	-	-	-	-	-	-	22,612,824
2	Receivables on Public Sector Entities	907,848	-	-	-	-	-	-	907,848
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-
4	Receivables on Banks	9,394,480	56,673	274,570	99,250	49,622	45,564	271,287	10,191,446
5	Loans Secured by Residential Property	1,649,699	65,754	104,835	43,085	79,706	99,727	39,152	2,081,958
6	Loans Secured by Commercial Real Estate	422,870	-	178,474	-	-	83,665	-	685,009
7	Employee/Pensioner Loans	-	-	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	20,813,576	6,524,187	10,986,630	8,659,193	6,129,285	14,762,044	8,308,349	76,183,264
9	Receivables on Corporate	39,902,772	2,269,830	4,309,201	2,288,159	3,053,291	5,732,527	2,485,400	60,041,180
10	Past Due Receivables	303,034	102,431	219,551	177,699	149,227	330,501	193,765	1,476,208
11	Other Assets	4,045,782	270,307	648,204	638,024	388,625	882,817	521,710	7,395,469
12	Exposures at Syariah Business Unit (if any)	1,747,084	126,023	344,359	112,459	60,578	164,507	77,489	2,632,499
Total		101,799,969	9,415,205	17,065,824	12,017,869	9,910,334	22,101,352	11,897,152	184,207,705

Note:

The Disclosure on net receivables are conducted for assets exposure in balance sheet, commitments/contingencies exposure for off balance sheet transactions and counterparty credit exposures

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

31 December 2012
Net Receivables Based on Region

Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung (3)	West Java (4)	East Java, Bali, NTT, and NTB (5)	Sulawesi, Maluku, and Papua (6)	Kalimantan (7)	Sumatera (8)	Central Java and Yogyakarta (9)	Total (10)
18,275,003	-	-	-	-	-	-	18,275,003
588,171	-	-	-	-	-	432	588,603
-	-	-	-	-	-	-	-
7,264,184	58,865	172,720	94,136	43,790	87,706	219,875	7,941,276
1,682,077	39,282	67,552	52,652	72,305	101,781	55,267	2,070,916
359,799	-	157,103	-	-	87,517	-	604,419
-	-	-	-	-	-	-	-
17,848,013	6,116,246	10,419,869	7,971,110	6,127,788	14,963,293	7,827,953	71,274,272
27,655,544	1,623,624	3,232,979	1,896,898	2,517,533	4,537,011	2,047,818	43,511,407
395,976	149,318	248,580	146,236	129,527	356,664	235,168	1,661,469
4,361,755	222,466	546,995	549,765	422,057	809,883	410,040	7,322,961
1,209,251	156,003	309,694	127,461	72,695	112,904	60,386	2,048,394
79,639,773	8,365,804	15,155,492	10,838,258	9,385,695	21,056,759	10,856,939	155,298,720

Risk Management

2.2.a. Disclosure of Net Receivables Based on the Remaining Term of Contract – Bank Stand Alone

(in million rupiah)

No. (1)	Portfolio Category (2)	31 December 2013					
		Net Receivables Based on the Remaining Term of Contract					Total (8)
		≤1 year (3)	>1 year - 3 year (4)	>3 year - 5 year (5)	> 5 year (6)	Non-Contractual (7)	
1	Receivable on Sovereigns	9,019,929	3,055,201	283,016	123,119	10,131,559	22,612,824
2	Receivables on Public Sector Entities	644,675	196,558	66,615	-	-	907,848
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	7,600,412	1,000,435	407,973	317,315	112,574	9,438,709
5	Loans Secured by Residential Property	8,444	147,725	485,824	1,439,965	-	2,081,958
6	Loans Secured by Commercial Real Estate	450,965	50,243	133,725	50,076	-	685,009
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	11,151,916	23,677,999	10,951,868	1,283,636	48,093	47,113,512
9	Receivables on Corporate	42,431,763	7,635,621	6,772,788	3,229,014	8,482	60,077,668
10	Past Due Receivables	248,370	454,570	245,641	61,520	179,813	1,189,914
11	Other Assets	966	1,308	-	-	6,508,515	6,510,789
12	Exposures at Syariah Business Unit (if any)	469,991	805,076	650,013	9,183	698,236	2,632,499
TOTAL		72,027,431	37,024,736	19,997,463	6,513,828	17,687,272	153,250,730

Note:

The Disclosure on net receivables are conducted for assets exposure in balance sheet, commitments/contingencies exposure for off balance sheet transactions and counterparty credit exposures

2.2.b. Disclosure of Net Receivables Based on the Remaining Term of Contract – Consolidated

(in million rupiah)

No. (1)	Portfolio Category (2)	31 December 2013					
		Net Receivables Based on the Remaining Term of Contract					Total (8)
		≤1 year (3)	>1 year - 3 year (4)	>3 year - 5 year (5)	> 5 year (6)	Non-Contractual (7)	
1	Receivable on Sovereigns	9,019,929	3,055,201	283,016	123,119	10,131,559	22,612,824
2	Receivables on Public Sector Entities	644,675	196,558	66,615	-	-	907,848
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	8,287,509	1,066,075	407,973	317,315	112,574	10,191,446
5	Loans Secured by Residential Property	8,444	147,725	485,824	1,439,965	-	2,081,958
6	Loans Secured by Commercial Real Estate	450,965	50,243	133,725	50,076	-	685,009
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	14,865,573	43,494,181	16,491,781	1,283,636	48,093	76,183,264
9	Receivables on Corporate	42,431,763	7,635,621	6,736,300	3,229,014	8,482	60,041,180
10	Past Due Receivables	304,404	658,566	271,905	61,520	179,813	1,476,208
11	Other Assets	244,960	149,445	75,820	917	6,924,327	7,395,469
12	Exposures at Syariah Business Unit (if any)	469,991	805,076	650,013	9,183	698,236	2,632,499
TOTAL		76,728,213	57,258,691	25,602,972	6,514,745	18,103,084	184,207,705

Note:

The Disclosure on net receivables are conducted for assets exposure in balance sheet, commitments/contingencies exposure for off balance sheet transactions and counterparty credit exposures

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

31 December 2012					
Net Receivables Based on the Remaining Term of Contract					
≤1 year	>1 year - 3 year	>3 year - 5 year	> 5 year	Non-Contractual	Total
(9)	(10)	(11)	(12)	(13)	(14)
7,293,160	2,167,126	637,082	1,465	8,176,170	18,275,003
320,902	206,634	61,067	-	-	588,603
-	-	-	-	-	-
6,354,548	622,196	406,618	80,335	83,683	7,547,380
15,035	126,589	515,609	1,413,677	6	2,070,916
419,300	136,382	48,737	-	-	604,419
-	-	-	-	-	-
11,020,271	26,909,252	9,302,558	1,045,247	31,005	48,308,333
27,785,433	7,796,989	5,440,107	2,457,942	30,936	43,511,407
251,342	683,374	229,011	76,984	206,454	1,447,165
62,875	-	-	-	6,410,542	6,473,417
458,295	640,289	495,741	9,313	444,756	2,048,394
53,981,161	39,288,831	17,136,530	5,084,963	15,383,552	130,875,037

31 December 2012					
Net Receivables Based on the Remaining Term of Contract					
≤1 year	>1 year - 3 year	>3 year - 5 year	> 5 year	Non-Contractual	Total
(3)	(4)	(5)	(6)	(7)	(8)
7,293,160	2,167,126	637,082	1,465	8,176,170	18,275,003
320,902	206,634	61,067	-	-	588,603
-	-	-	-	-	-
6,727,107	643,533	406,618	80,335	83,683	7,941,276
15,035	126,589	515,609	1,413,677	6	2,070,916
419,300	136,382	48,737	-	-	604,419
-	-	-	-	-	-
14,023,660	42,808,550	13,365,810	1,045,247	31,005	71,274,272
27,785,433	7,796,989	5,440,107	2,457,942	30,936	43,511,407
290,041	842,072	245,918	76,984	206,454	1,661,469
207,417	109,236	139,310	32	6,866,966	7,322,961
458,295	640,289	495,741	9,313	444,756	2,048,394
57,540,350	55,477,400	21,355,999	5,084,995	15,839,976	155,298,720

2.3.a. Disclosure of Net Receivables Based on Economic Sector – Bank Stand Alone

(in million rupiah)

No.	Economic Sector	Receivables on Sovereigns	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks
(1)	(2)	(3)	(4)	(5)	(6)
per 31 December 2013					
1	Agriculture, Hunting and Forestry	-	-	-	-
2	Fishery	-	-	-	-
3	Mining and Excavation	-	-	-	-
4	Manufacturing	-	-	-	-
5	Electricity, Gas and Water	-	-	-	-
6	Construction	-	62,029	-	-
7	Wholesale and Retail	-	11,592	-	-
8	Accommodation, Food & Beverage	-	-	-	-
9	Transportation, Warehousing and Communications	-	-	-	-
10	Financial Intermediary	-	-	-	9,438,709
11	Real Estate, Leasing Services and Servicing Companies	-	-	-	-
12	Government Administration, Defense and Mandatory Social Security	-	-	-	-
13	Education Services	-	-	-	-
14	Health and Social Services	-	-	-	-
15	Services in Social, Art, Culture, Recreation and Other Individual Services	-	-	-	-
16	Individual Services to Household	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-
18	Undefined Activities	-	-	-	-
19	Non Business Field	-	-	-	-
20	Others	22,612,824	834,227	-	-
Total		22,612,824	907,848	-	9,438,709
per 31 December 2012					
1	Agriculture, Hunting and Forestry	-	-	-	-
2	Fishery	-	-	-	-
3	Mining and Excavation	-	-	-	-
4	Manufacturing	-	-	-	-
5	Electricity, Gas and Water	-	-	-	-
6	Construction	-	49,522	-	-
7	Wholesale and Retail	-	10,060	-	1,188
8	Accommodation, Food & Beverage	-	-	-	-
9	Transportation, Warehousing and Communications	-	-	-	-
10	Financial Intermediary	-	432	-	7,519,637
11	Real Estate, Leasing Services and Servicing Companies	-	-	-	-
12	Government Administration, Defense and Mandatory Social Security	-	-	-	-
13	Education Services	-	-	-	-
14	Health and Social Services	-	-	-	-
15	Services in Social, Art, Culture, Recreation and Other Individual Services	-	-	-	26,555
16	Individual Services to Household	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-
18	Undefined Activities	-	-	-	-
19	Non Business Field	-	-	-	-
20	Others	18,275,003	528,589	-	-
Total		18,275,003	588,603	-	7,547,380

Note:

- The Disclosure on net receivables are conducted for assets exposure in balance sheet, commitments/contingencies exposure for off balance sheet transactions and counterparty credit exposures
- Economic sector refers to economic sector used in *Laporan Bulanan Bank Umum* (LBU). Net Receivables to bank without sector economy information in LBU is classified as "Financial Intermediary", while other than that is classified as "Others"

- Risk Management
- Human Resources
- Information Technology
- Operations

	Loans Secured by Residential Property	Loans Secured by Commercial Real Estate	Employee/Pensioner Loans	Receivables on Micro, Small Business & Retail Portfolio	Receivables on Corporate	Past Due Receivables	Other Assets	Exposures at Syariah Business Unit (if any)
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	-	-	-	1,523,600	1,271,714	53,292	-	-
	-	-	-	91,675	9,132	4,895	-	-
	-	-	-	23,413	2,149,622	69,246	-	-
	-	-	-	1,759,969	17,080,430	63,301	-	-
	-	-	-	4,356	14,376	10	-	-
	-	304,491	-	63,674	781,480	3,763	-	-
	-	-	-	13,369,059	19,656,462	559,542	-	54,771
	-	-	-	1,105,824	766,339	28,963	-	39
	-	-	-	436,829	4,145,781	20,527	-	1,460,091
	-	-	-	864	2,194,044	-	-	149,263
	-	380,518	-	873,380	3,427,857	67,236	-	-
	-	-	-	935	-	-	-	-
	-	-	-	20,620	10,164	3,763	-	-
	-	-	-	195,851	122,570	5,155	-	-
	-	-	-	994,674	212,832	30,426	-	-
	-	-	-	4,794	-	331	-	-
	-	-	-	5,251	-	32	-	-
	-	-	-	-	-	-	-	173,515
	2,081,958	-	-	25,272,006	945,639	279,432	-	20,342
	-	-	-	1,366,738	7,289,226	-	6,510,789	774,478
	2,081,958	685,009	-	47,113,512	60,077,668	1,189,914	6,510,789	2,632,499
	-	-	-	1,359,560	834,506	42,947	-	22
	-	-	-	108,249	12,264	6,736	-	-
	-	-	-	20,623	1,833,647	90,564	-	127
	-	-	-	1,606,355	11,691,712	157,170	-	-
	-	-	-	4,290	9,668	60	-	-
	-	259,574	-	58,341	710,152	7,545	-	-
	-	-	-	12,662,687	14,285,688	513,117	-	45,238
	-	-	-	962,093	425,664	30,374	-	487
	-	-	-	399,933	2,933,636	17,378	-	1,081,491
	-	-	-	1,809	1,887,930	179	-	110,649
	-	344,844	-	879,513	3,544,796	62,039	-	625
	-	-	-	571	-	-	-	-
	-	-	-	18,758	13,734	955	-	-
	-	-	-	198,547	7,160	5,505	-	-
	-	-	-	913,411	379,581	35,975	-	-
	-	-	-	9,572	-	537	-	-
	-	-	-	1,487	-	-	-	-
	-	-	-	-	-	-	-	268,847
	2,070,916	-	-	27,856,407	599,770	475,977	-	13,005
	-	-	-	1,246,129	4,341,499	107	6,473,417	527,903
	2,070,916	604,419	-	48,308,333	43,511,407	1,447,165	6,473,417	2,048,394

2.3.b. Disclosure of Net Receivables Based on Economic Sector - Consolidated

(in million rupiah)

No.	Economic Sector	Receivables on Sovereigns	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks
(1)	(2)	(3)	(4)	(5)	(6)
per 31 December 2013					
1	Agriculture, Hunting and Forestry	-	-	-	-
2	Fishery	-	-	-	-
3	Mining and Excavation	-	-	-	-
4	Manufacturing	-	-	-	-
5	Electricity, Gas and Water	-	-	-	-
6	Construction	-	62,029	-	-
7	Wholesale and Retail	-	11,592	-	-
8	Accommodation, Food & Beverage	-	-	-	-
9	Transportation, Warehousing and Communications	-	-	-	-
10	Financial Intermediary	-	-	-	10,191,446
11	Real Estate, Leasing Services and Servicing Companies	-	-	-	-
12	Government Administration, Defense and Mandatory Social Security	-	-	-	-
13	Education Services	-	-	-	-
14	Health and Social Services	-	-	-	-
15	Services in Social, Art, Culture, Recreation and Other Individual Services	-	-	-	-
16	Individual Services to Household	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-
18	Undefined Activities	-	-	-	-
19	Non Business Field	-	-	-	-
20	Others	22,612,824	834,227	-	-
Total		22,612,824	907,848	-	10,191,446
per 31 December 2012					
1	Agriculture, Hunting and Forestry	-	-	-	-
2	Fishery	-	-	-	-
3	Mining and Excavation	-	-	-	-
4	Manufacturing	-	-	-	-
5	Electricity, Gas and Water	-	-	-	-
6	Construction	-	49,522	-	-
7	Wholesale and Retail	-	10,060	-	1,188
8	Accommodation, Food & Beverage	-	-	-	-
9	Transportation, Warehousing and Communications	-	-	-	-
10	Financial Intermediary	-	432	-	7,913,533
11	Real Estate, Leasing Services and Servicing Companies	-	-	-	-
12	Government Administration, Defense and Mandatory Social Security	-	-	-	-
13	Education Services	-	-	-	-
14	Health and Social Services	-	-	-	-
15	Services in Social, Art, Culture, Recreation and Other Individual Services	-	-	-	26,555
16	Individual Services to Household	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-
18	Undefined Activities	-	-	-	-
19	Non Business Field	-	-	-	-
20	Others	18,275,003	528,589	-	-
Total		18,275,003	588,603	-	7,941,276

Note:

1. The Disclosure on net receivables are conducted for assets exposure in balance sheet, commitments/contingencies exposure for off balance sheet transactions and counterparty credit exposures
2. Economic sector refers to economic sector used in *Laporan Bulanan Bank Umum* (LBU). Net Receivables to bank without sector economy information in LBU is classified as "Financial Intermediary", while other than that is classified as "Others"

- Risk Management
- Human Resources
- Information Technology
- Operations

	Loans Secured by Residential Property	Loans Secured by Commercial Real Estate	Employee/Pensioner Loans	Receivables on Micro, Small Business & Retail Portfolio	Receivables on Corporate	Past Due Receivables	Other Assets	Exposures at Syariah Business Unit (if any)
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	-	-	-	1,523,600	1,271,714	53,292	-	-
	-	-	-	91,675	9,132	4,895	-	-
	-	-	-	23,413	2,149,622	69,246	-	-
	-	-	-	1,759,969	17,080,430	63,301	-	-
	-	-	-	4,356	14,376	10	-	-
	-	304,491	-	63,674	781,480	3,763	-	-
	-	-	-	13,369,059	19,656,462	559,542	-	54,771
	-	-	-	1,105,824	766,339	28,963	-	39
	-	-	-	436,829	4,145,781	20,527	-	1,460,091
	-	-	-	864	2,194,044	-	-	149,263
	-	380,518	-	873,380	3,427,857	67,236	-	-
	-	-	-	935	-	-	-	-
	-	-	-	20,620	10,164	3,763	-	-
	-	-	-	195,851	122,570	5,155	-	-
	-	-	-	994,674	212,832	30,426	-	-
	-	-	-	4,794	-	331	-	-
	-	-	-	5,251	-	32	-	-
	-	-	-	-	-	-	-	173,515
	2,081,958	-	-	54,341,758	945,639	565,726	-	20,342
	-	-	-	1,366,738	7,252,738	-	7,395,469	774,478
	2,081,958	685,009	-	76,183,264	60,041,180	1,476,208	7,395,469	2,632,499
	-	-	-	1,359,560	834,506	42,947	-	22
	-	-	-	108,249	12,264	6,736	-	-
	-	-	-	20,623	1,833,647	90,564	-	127
	-	-	-	1,606,355	11,691,712	157,170	-	-
	-	-	-	4,290	9,668	60	-	-
	-	259,574	-	58,341	710,152	7,545	-	-
	-	-	-	12,662,687	14,285,688	513,117	-	45,238
	-	-	-	962,093	425,664	30,374	-	487
	-	-	-	399,933	2,933,636	17,378	-	1,081,491
	-	-	-	1,809	1,887,930	179	-	110,649
	-	344,844	-	879,513	3,544,796	62,039	-	625
	-	-	-	571	-	-	-	-
	-	-	-	18,758	13,734	955	-	-
	-	-	-	198,547	7,160	5,505	-	-
	-	-	-	913,411	379,581	35,975	-	-
	-	-	-	9,572	-	537	-	-
	-	-	-	1,487	-	-	-	-
	-	-	-	-	-	-	-	268,847
	2,070,916	-	-	50,822,346	599,770	690,281	-	13,005
	-	-	-	1,246,129	4,341,499	107	7,322,961	527,903
	2,070,916	604,419	-	71,274,272	43,511,407	1,661,469	7,322,961	2,048,394

Risk Management

2.4.a. Disclosure of Receivables and Provisioning Based on Region - Bank Stand Alone

(in million rupiah)

		31 December 2013							
No	Portfolio Category	Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java, Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	Sumatera	Central Java and Yogyakarta	Total
(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Receivables	93,661,060	6,745,819	12,419,401	8,797,261	7,102,832	17,038,939	8,617,494	154,382,806
2	Impaired Receivables								
	a. Non Past Due	831,906	96,698	121,603	217,727	205,472	216,338	183,028	1,872,772
	b. Past Due	588,410	110,169	222,518	209,345	128,964	349,602	241,193	1,850,201
3	Allowance for Impairment Losses - Individual	316,071	-	-	1,156	7,778	25,891	3,097	353,993
4	Allowance for Impairment Losses - Collective	767,655	143,006	262,370	167,760	114,417	316,779	235,789	2,007,776
5	Written-Off Receivables	910,773	233,729	369,582	213,332	185,744	547,974	349,692	2,810,826

(*) restated

2.4.b. Disclosure of Receivables and Provisioning Based on Region – Consolidated

(in million rupiah)

		31 December 2013							
No	Portfolio Category	Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java, Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	Sumatera	Central Java and Yogyakarta	Total
(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Receivables	101,567,115	9,510,378	17,208,209	12,163,399	10,008,031	22,379,761	12,078,376	184,915,269
2	Impaired Receivables	-	-	-	-	-	-	-	-
	a. Non Past Due	841,421	98,184	124,728	226,523	221,619	232,533	185,275	1,930,283
	b. Past Due	686,710	148,869	281,290	254,472	187,966	445,828	273,664	2,278,799
3	Allowance for Impairment Losses - Individual	316,071	-	-	1,156	7,778	25,891	3,097	353,993
4	Allowance for Impairment Losses - Collective	1,009,176	237,103	421,782	238,211	202,808	487,765	338,882	2,935,727
5	Written-Off Receivables	910,773	233,729	369,582	213,332	185,744	547,974	349,692	2,810,826

(*) restated

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

31 December 2012 (*)

Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung (11)	West Java (12)	East Java, Bali, NTT, and NTB (13)	Sulawesi, Maluku, and Papua (14)	Kalimantan (15)	Sumatera (16)	Central Java and Yogyakarta (17)	Total (18)
75,172,262	6,304,458	11,462,557	8,195,707	6,786,039	16,261,762	8,639,132	132,821,917
-	-	-	-	-	-	-	-
744,580	69,755	86,748	115,094	123,285	112,845	176,812	1,429,119
913,431	120,724	218,049	154,720	99,669	291,212	236,462	2,034,267
546,024	77	-	1,891	4,293	22,530	4,392	579,207
621,621	137,387	257,695	128,261	105,587	288,076	229,562	1,768,189
480,562	207,981	381,641	118,285	127,007	345,796	250,003	1,911,275

31 December 2012 (*)

Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung (11)	West Java (12)	East Java, Bali, NTT, and NTB (13)	Sulawesi, Maluku, and Papua (14)	Kalimantan (15)	Sumatera (16)	Central Java and Yogyakarta (17)	Total (18)
80,621,756	8,432,399	15,281,307	10,931,136	9,451,025	21,272,658	11,011,445	157,001,726
-	-	-	-	-	-	-	-
762,941	73,211	91,491	119,007	128,250	122,157	179,617	1,476,674
958,737	140,516	244,851	178,095	127,878	350,665	252,573	2,253,315
546,024	77	-	1,891	4,293	22,530	4,392	579,207
806,670	214,879	388,487	186,416	179,467	450,118	313,133	2,539,170
480,562	207,981	381,641	118,285	127,007	345,796	250,003	1,911,275

Risk Management

2.5.a. Disclosure of Receivables and Provisioning Based on Economic Sector– Bank Stand Alone

31 December 2013 (in million rupiah)

No	Economic Sector	Receivables	Impaired Receivables		Allowance for Impairment Losses - Individual	Allowance for Impairment Losses - Collective	Written-Off Receivables
			Non Past Due	Past Due			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Agriculture, Hunting and Forestry	2,907,337	50,239	98,663	20,532	52,472	76,912
2	Fishery	109,381	5,373	7,620	-	3,972	10,936
3	Mining and Excavation	2,462,951	521,117	201,277	265,249	21,722	3,504
4	Manufacturing	18,965,305	156,403	83,439	1,170	219,338	523,769
5	Electricity, Gas and Water	18,775	51	12	-	108	85
6	Construction	1,218,003	46,208	1,420	463	8,210	7,935
7	Wholesale and Retail	34,126,817	575,709	692,848	18,753	625,364	856,053
8	Accommodation, Food & Beverage	1,928,288	44,454	44,484	-	38,205	55,472
9	Transportation, Warehousing and Communications	6,072,775	141,228	23,741	1,723	85,218	20,795
10	Financial Intermediary	11,653,886	-	-	-	26,707	332
11	Real Estate, Leasing Services and Servicing Companies	4,749,768	193,193	96,894	2,812	52,182	75,317
12	Government Administration, Defense and Mandatory Social Security	935	-	-	-	4	-
13	Education Services	35,724	1,069	810	-	1,287	750
14	Health and Social Services	327,640	6,827	7,367	-	5,028	5,897
15	Services in Social, Art, Culture, Recreation and Other Individual Services	1,275,043	67,778	52,038	-	41,510	58,416
16	Individual Services to Household	5,269	2,991	89	-	158	600
17	International Institution and Other Extra International Agencies	5,356	5,221	-	-	96	201
18	Undefined Activities	201,740	-	-	-	561	118
19	Non Business Field	28,951,018	54,911	429,633	-	819,542	1,104,658
20	Others	39,366,795	-	109,866	43,291	6,092	9,076
Total		154,382,806	1,872,772	1,850,201	353,993	2,007,776	2,810,826

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

31 December 2012 (in million rupiah) (*)

No	Economic Sector	Receivables	Impaired Receivables		Allowance for Impairment Losses - Individual	Allowance for Impairment Losses - Collective	Written-Off Receivables
			Non Past Due	Past Due			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Agriculture, Hunting and Forestry	2,273,700	31,864	59,877	15,172	33,480	24,040
2	Fishery	132,370	4,239	9,215	-	5,968	7,698
3	Mining and Excavation	2,066,029	299,355	135,528	119,040	14,845	1,060
4	Manufacturing	13,852,268	239,904	427,038	349,946	144,290	161,134
5	Electricity, Gas and Water	14,118	48	89	-	162	243
6	Construction	1,087,678	58,150	396	904	8,674	257
7	Wholesale and Retail	27,881,565	410,942	530,762	25,365	496,657	549,480
8	Accommodation, Food & Beverage	1,442,235	26,571	36,609	-	32,661	36,681
9	Transportation, Warehousing and Communications	4,464,537	153,518	15,894	1,492	65,238	14,062
10	Financial Intermediary	9,398,778	17	319	-	16,752	1,185
11	Real Estate, Leasing Services and Servicing Companies	4,851,759	76,420	79,750	352	60,341	34,510
12	Government Administration, Defense and Mandatory Social Security	570	-	-	-	3	-
13	Education Services	33,951	911	1,049	-	638	438
14	Health and Social Services	214,898	5,394	6,173	-	4,411	4,328
15	Services in Social, Art, Culture, Recreation and Other Individual Services	1,386,476	73,083	45,850	-	39,159	32,867
16	Individual Services to Household	10,505	3,248	731	-	431	608
17	International Institution and Other Extra International Agencies	1,515	1,131	-	-	36	48
18	Undefined Activities	272,915	151	148	-	764	160
19	Non Business Field	31,405,432	44,173	526,562	-	842,898	1,042,476
20	Others	32,030,618	-	158,276	66,936	781	-
Total		132,821,917	1,429,119	2,034,267	579,207	1,768,189	1,911,275

(*) restated

Risk Management

2.5.b. Disclosure of Receivables and Provisioning Based on Economic Sector—Consolidated

31 December 2013 (in million rupiah)

No	Economic Sector	Receivables	Impaired Receivables		Allowance for Impairment Losses - Individual	Allowance for Impairment Losses - Collective	Written-Off Receivables
			Non Past Due	Past Due			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Agriculture, Hunting and Forestry	2,907,337	50,239	98,663	20,532	52,472	76,912
2	Fishery	109,381	5,373	7,620	-	3,972	10,936
3	Mining and Excavation	2,462,951	521,117	201,277	265,249	21,722	3,504
4	Manufacturing	18,965,305	156,403	83,439	1,170	219,338	523,769
5	Electricity, Gas and Water	18,775	51	12	-	108	85
6	Construction	1,218,003	46,208	1,420	463	8,210	7,935
7	Wholesale and Retail	34,126,817	575,709	692,848	18,753	625,364	856,053
8	Accommodation, Food & Beverage	1,928,288	44,454	44,484	-	38,205	55,472
9	Transportation, Warehousing and Communications	6,072,775	141,228	23,741	1,723	85,218	20,795
10	Financial Intermediary	12,327,974	-	-	-	26,707	332
11	Real Estate, Leasing Services and Servicing Companies	4,749,768	193,193	96,894	2,812	52,182	75,317
12	Government Administration, Defense and Mandatory Social Security	935	-	-	-	4	-
13	Education Services	35,724	1,069	810	-	1,287	750
14	Health and Social Services	327,640	6,827	7,367	-	5,028	5,897
15	Services in Social, Art, Culture, Recreation and Other Individual Services	1,275,043	67,778	52,038	-	41,510	58,416
16	Individual Services to Household	5,269	2,991	89	-	158	600
17	International Institution and Other Extra International Agencies	5,356	5,221	-	-	96	201
18	Undefined Activities	201,740	-	-	-	561	118
19	Non Business Field	58,553,661	112,422	858,232	-	1,747,493	1,104,658
20	Others	39,622,527	-	109,865	43,291	6,092	9,076
Total		184,915,269	1,930,283	2,278,799	353,993	2,935,727	2,810,826

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

31 December 2012 (in million rupiah) (*)

No	Economic Sector	Receivables	Impaired Receivables		Allowance for Impairment Losses - Individual	Allowance for Impairment Losses - Collective	Written-Off Receivables
			Non Past Due	Past Due			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Agriculture, Hunting and Forestry	2,273,700	31,864	59,877	15,172	33,480	24,040
2	Fishery	132,370	4,239	9,215	-	5,968	7,698
3	Mining and Excavation	2,066,029	299,355	135,528	119,040	14,845	1,060
4	Manufacturing	13,852,268	239,904	427,038	349,946	144,290	161,134
5	Electricity, Gas and Water	14,118	48	89	-	162	243
6	Construction	1,087,678	58,150	396	904	8,674	257
7	Wholesale and Retail	27,881,565	410,942	530,762	25,365	496,657	549,480
8	Accommodation, Food & Beverage	1,442,235	26,571	36,609	-	32,661	36,681
9	Transportation, Warehousing and Communications	4,464,537	153,518	15,894	1,492	65,238	14,062
10	Financial Intermediary	9,765,634	17	319	-	16,752	1,185
11	Real Estate, Leasing Services and Servicing Companies	4,851,759	76,420	79,750	352	60,341	34,510
12	Government Administration, Defense and Mandatory Social Security	570	-	-	-	3	-
13	Education Services	33,951	911	1,049	-	638	438
14	Health and Social Services	214,898	5,394	6,173	-	4,411	4,328
15	Services in Social, Art, Culture, Recreation and Other Individual Services	1,386,476	73,083	45,850	-	39,159	32,867
16	Individual Services to Household	10,505	3,248	731	-	431	608
17	International Institution and Other Extra International Agencies	1,515	1,131	-	-	36	48
18	Undefined Activities	272,915	151	148	-	764	160
19	Non Business Field	54,728,627	91,727	745,610	-	1,613,879	1,042,476
20	Others	32,520,376	-	158,276	66,936	781	-
Total		157,001,726	1,476,674	2,253,315	579,207	2,539,170	1,911,275

(*) restated

Risk Management

2.6.a. Disclosure of Movements Details of Loan Loss Provision– Bank Stand Alone

(in million rupiah)

No	Description	31 December 2013		31 December 2012 (*)	
		Allowance for Impairment Losses - Individual	Allowance for Impairment Losses - Collective	Allowance for Impairment Losses - Individual	Allowance for Impairment Losses - Collective
(1)	(2)	(3)	(4)	(5)	(6)
1	Beginning balance of allowance for impairment Losses	579,207	1,768,189	459,241	1,878,688
2	Additional/reversal allowance for impairment losses during the year (net)	273,626	1,793,666	232,253	1,469,884
3	Allowance for impairment losses used to cover written off receivables during the year	(530,808)	(2,280,018)	(269,250)	(2,276,176)
4	Others additional allowance during the year	31,968	725,939	156,963	695,793
Ending Balance of Allowance for Impairment Losses		353,993	2,007,776	579,207	1,768,189

2.6.b. Disclosure of Movements Details of Loan Loss Provision– Consolidated

(in million rupiah)

No	Description	31 December 2013		31 December 2012 (*)	
		Allowance for Impairment Losses - Individual	Allowance for Impairment Losses - Collective	Allowance for Impairment Losses - Individual	Allowance for Impairment Losses - Collective
(1)	(2)	(3)	(4)	(5)	(6)
1	Beginning balance of allowance for impairment Losses	579,207	2,539,170	459,241	2,313,215
2	Additional/reversal allowance for impairment losses during the year (net)	273,626	2,945,286	232,253	2,195,281
3	Allowance for impairment losses used to cover written off receivables during the year	(530,808)	(3,417,556)	(269,250)	(2,718,028)
4	Others additional allowance during the year	31,968	868,827	156,963	748,702
Ending Balance of Allowance for Impairment Losses		353,993	2,935,727	579,207	2,539,170

(*) restated

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

9. Disclosure of Credit Risk with Standardized Approach

Currently Danamon complies with the prevailing regulation of Bank Indonesia on Risk Weighted Assets calculation using the standardized approach, in line with PBI No.10/18/2008, ratified on 24 September 2008.

RWA calculation with standardized approach in general is based on the calculation of ratings issued by rating agencies recognized by Bank Indonesia.

Use of Ratings

Danamon currently only uses ratings for securities portfolios. The ratings used by the Bank at present are the current ratings issued by agencies recognized by Bank Indonesia in line with Bank Indonesia's regulation, namely Pefindo, Standard & Poor's, and Moody's.

The determination of risk weights on the loans in the form of securities is based on the issue of ratings: if the securities do not have a rating then the specifying of risk weight is based on the receivables without ratings.

Disclosure of net receivables based on the portfolio classification and bank ratings scale by a bank, individual or consolidated is presented in Table 3.1.a and b.

3.1.a. Disclosure of Net Receivables based on Portfolio Categories and Ratings– Bank Stand Alone

31 December 2013 (in million rupiah)

31 December 2015 (in Million Rupiah)						
Portfolio Category		Rating Agency	Long Term Rating			
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1 to Baa3
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) to AA-(idn)	A+(idn) to A-(idn)	BBB+(idn) to BBB-(idn)
		PT ICRA Indonesia	[Idr]AAA	[Idr]AA+ to [Idr]AA-	[Idr]A+ to [Idr]A-	[Idr]BBB+ to [Idr]BBB-
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ to idAA-	idA+ to id A-	id BBB+ to id BBB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivable on Sovereigns		-	-	-	8,678,936
2	Receivables on Public Sector Entities		201,583	110,471	-	-
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		758,930	191,180	-	45,904
5	Loans Secured by Residential Property					
6	Loans Secured by Commercial Real Estate					
7	Employee/Pensioner Loans					
8	Receivables on Micro, Small Business & Retail Portfolio					
9	Receivables on Corporate		-	812,072	478,203	-
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Syariah Business Unit (if any)		-	50,000	25,000	-
TOTAL			960,513	1,163,723	503,203	8,724,840

31 December 2012 (in million rupiah)

Portfolio Category		Rating Agency Long Term Rating				
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1 to Baa3
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) to AA-(idn)	A+(idn) to A-(idn)	BBB+(idn) to BBB-(idn)
		PT ICRA Indonesia	[Idr]AAA	[Idr]AA+ to [Idr]AA-	[Idr]A+ to [Idr]A-	[Idr]BBB+ to [Idr]BBB-
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ to idAA-	idA+ to id A-	id BBB+ to id BBB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivable on Sovereigns		-	-	-	-
2	Receivables on Public Sector Entities		91,694	270,902	-	-
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		540,935	180,299	-	-
5	Loans Secured by Residential Property					
6	Loans Secured by Commercial Real Estate					
7	Employee/Pensioner Loans					
8	Receivables on Micro, Small Business & Retail Portfolio					
9	Receivables on Corporate		-	475,851	541,977	-
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Syariah Business Unit (if any)		-	50,000	25,000	-
TOTAL			632.629	977.052	566.977	

Note:

The Disclosure on net receivables are conducted for assets exposure in balance sheet, commitments/contingencies exposure for off balance sheet transactions and counterparty credit exposures

- Risk Management
- Human Resources
- Information Technology
- Operations

Net Receivables								
Short Term Rating							Unrated	Total
BB+ to BB-	B+ to B-	< B-	A-1	A-2	A-3	< A-3		
BB+ to BB-	B+ to B-	< B-	F1+ to F1	F2	F3	< F3		
Ba1 to Ba3	B1 to B3	< B3	P-1	P-2	P-3	< P-3		
BB+(idn) to BB-(idn)	B+(idn) to B-(idn)	< B-(idn)	F1+(idn) to F1(idn)	F2(idn)	F3(idn)	< F3(idn)		
[Idr]BB+ to [Idr]BB-	[Idr]B+ to [Idr]B-	< [Idr]B-	[Idr]A1+ to [Idr]A1	[Idr]A2+ to A2	[Idr]A3+ to [Idr] A3	< [Idr]A3		
id BB+ to id BB-	id B+ to id B-	< idB-	idA1	idA2	idA3 to id A4	< idA4		
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
-	-	-	-	-	-	-	13,933,888	22,612,824
80,176	-	-	-	-	-	-	515,618	907,848
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	8,442,695	9,438,709
							2,081,958	2,081,958
							685,009	685,009
							-	-
							47,113,512	47,113,512
-	-	-	-	-	-	-	58,787,393	60,077,668
							1,189,914	1,189,914
							6,510,789	6,510,789
-	-	-	-	-	-	-	2,557,499	2,632,499
80,176	-	-	-	-	-	-	141,818,275	153,250,730

Net Receivables								
Short Term Rating							Unrated	Total
BB+ to BB-	B+ to B-	< B-	A-1	A-2	A-3	< A-3		
BB+ to BB-	B+ to B-	< B-	F1+ to F1	F2	F3	< F3		
Ba1 to Ba3	B1 to B3	< B3	P-1	P-2	P-3	< P-3		
BB+(idn) to BB-(idn)	B+(idn) to B-(idn)	< B-(idn)	F1+(idn) to F1(idn)	F2(idn)	F3(idn)	< F3(idn)		
[Idr]BB+ to [Idr]BB-	[Idr]B+ to [Idr]B-	< [Idr]B-	[Idr]A1+ to [Idr]A1	[Idr]A2+ to A2	[Idr]A3+ to [Idr] A3	< [Idr]A3		
id BB+ to id BB-	id B+ to id B-	< idB-	idA1	idA2	idA3 to id A4	< idA4		
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
-	-	-	-	-	-	-	18,275,003	18,275,003
-	-	-	-	-	-	-	226,007	588,603
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	6,826,146	7,547,380
							2,070,916	2,070,916
							604,419	604,419
							-	-
							48,308,333	48,308,333
-	-	-	-	-	-	-	42,493,579	43,511,407
							1,447,165	1,447,165
							6,473,417	6,473,417
-	-	-	-	-	-	-	1,973,394	2,048,394
-	-	-	-	-	-	-	128,698,379	130,875,037

3.1.b. Disclosure of Net Receivables based on Portfolio Categories and Ratings – Consolidated.

31 December 2013 (in million rupiah)

Portfolio Category		Rating Agency Long Term Rating				
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1 to Baa3
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) to AA-(idn)	A+(idn) to A-(idn)	BBB+(idn) to BBB-(idn)
		PT ICRA Indonesia	[Idr]AAA	[Idr]AA+ to [Idr]AA-	[Idr]A+ to [Idr]A-	[Idr]BBB+ to [Idr]BBB-
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ to idAA-	idA+ to id A-	id BBB+ to id BBB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivable on Sovereigns		-	-	-	8,678,936
2	Receivables on Public Sector Entities		201,583	110,471	-	-
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		758,930	191,180	-	45,904
5	Loans Secured by Residential Property					
6	Loans Secured by Commercial Real Estate					
7	Employee/Pensioner Loans					
8	Receivables on Micro, Small Business & Retail Portfolio					
9	Receivables on Corporate		-	812,072	478,203	-
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Syariah Business Unit (if any)		-	50,000	25,000	-
TOTAL			960,513	1,163,723	503,203	8,724,840

31 December 2012 (in million rupiah)

Portfolio Category		Rating Agency Long Term Rating				
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-
		Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1 to Baa3
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) to AA-(idn)	A+(idn) to A-(idn)	BBB+(idn) to BBB-(idn)
		PT ICRA Indonesia	[Idr]AAA	[Idr]AA+ to [Idr]AA-	[Idr]A+ to [Idr]A-	[Idr]BBB+ to [Idr]BBB-
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ to idAA-	idA+ to id A-	id BBB+ to id BBB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivable on Sovereigns		-	-	-	-
2	Receivables on Public Sector Entities		91,694	270,902	-	-
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		540,935	180,299	-	-
5	Loans Secured by Residential Property					
6	Loans Secured by Commercial Real Estate					
7	Employee/Pensioner Loans					
8	Receivables on Micro, Small Business & Retail Portfolio					
9	Receivables on Corporate		-	475,851	541,977	-
10	Past Due Receivables					
11	Other Assets					
12	Exposures at Syariah Business Unit (if any)		-	50,000	25,000	-
TOTAL			632,629	977,052	566,977	-

Note:

The Disclosure on net receivables are conducted for assets exposure in balance sheet, commitments/contingencies exposure for off balance sheet transactions and counterparty credit exposures

- Risk Management
- Human Resources
- Information Technology
- Operations

Net Receivables

Short Term Rating

BB+ to BB-	B+ to B-	< B-	A-1	A-2	A-3	< A-3	Unrated	Total
BB+ to BB-	B+ to B-	< B-	F1+ to F1	F2	F3	< F3		
Ba1 to Ba3	B1 to B3	< B3	P-1	P-2	P-3	< P-3	Unrated	Total
BB+(idn) to BB-(idn)	B+(idn) to B-(idn)	< B-(idn)	F1+(idn) to F1(idn)	F2(idn)	F3(idn)	< F3(idn)		
[Idr]BB+ to [Idr]BB-	[Idr]B+ to [Idr]B-	< [Idr]B-	[Idr]A1+ to [Idr]A1	[Idr]A2+ to A2	[Idr]A3+ to [Idr] A3	< [Idr]A3		
id BB+ to id BB-	id B+ to id B-	< idB-	idA1	idA2	idA3 to id A4	< idA4		
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
-	-	-	-	-	-	-	13,933,888	22,612,824
80,176	-	-	-	-	-	-	515,618	907,848
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9,195,432	10,191,446
							2,081,958	2,081,958
							685,009	685,009
							-	-
							76,183,264	76,183,264
-	-	-	-	-	-	-	58,750,905	60,041,180
							1,476,208	1,476,208
							7,395,469	7,395,469
-	-	-	-	-	-	-	2,557,499	2,632,499
80,176	-	-	-	-	-	-	172,775,250	184,207,705

Net Receivables

Short Term Rating

BB+ to BB-	B+ to B-	< B-	A-1	A-2	A-3	< A-3	Unrated	Total
BB+ to BB-	B+ to B-	< B-	F1+ to F1	F2	F3	< F3		
Ba1 to Ba3	B1 to B3	< B3	P-1	P-2	P-3	< P-3	Unrated	Total
BB+(idn) to BB-(idn)	B+(idn) to B-(idn)	< B-(idn)	F1+(idn) to F1(idn)	F2(idn)	F3(idn)	< F3(idn)		
[Idr]BB+ to [Idr]BB-	[Idr]B+ to [Idr]B-	< [Idr]B-	[Idr]A1+ to [Idr]A1	[Idr]A2+ to A2	[Idr]A3+ to [Idr] A3	< [Idr]A3		
id BB+ to id BB-	id B+ to id B-	< idB-	idA1	idA2	idA3 to id A4	< idA4		
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
-	-	-	-	-	-	-	18,275,003	18,275,003
-	-	-	-	-	-	-	226,007	588,603
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	7,220,042	7,941,276
							2,070,916	2,070,916
							604,419	604,419
							-	-
							71,274,272	71,274,272
-	-	-	-	-	-	-	42,493,579	43,511,407
							1,661,469	1,661,469
							7,322,961	7,322,961
-	-	-	-	-	-	-	1,973,394	2,048,394
-	-	-	-	-	-	-	153,122,062	155,298,720

Risk Management

10. Counterparty Credit Risk

Counterparty Credit Risk arises from the type of transactions that generally are affected by the following characteristics:

- a. Transactions affected by the movements of fair value or market value.
- b. Fair value of transactions is affected by the movements of certain market variables.
- c. Transactions resulting in exchange of cash flows or financial instruments.
- d. Bilateral in nature.

One of the transactions that cause counterparty credit risk due to counterparty failure is a derivative transaction of over the counter (OTC) transactions and repo/reverse transactions, for both the position of Trading Book and Banking Book.

For both Repo and Reverse Repo transactions, the Bank refers to in SEBI No.13/6/DPNP on Guidelines on Risk Weighted Assets calculation for Credit Risk, based on a Standardized Approach. For Repo Transactions, Bank recorded the positive difference between the net carrying values of securities as the underlying repo with carrying values of obligated repo. Net carrying value is the value recorded after deducting loan loss provisions from securities.

As for Reverse Repo Transactions, Bank recorded reverse repo receivables after deducting the loan loss provisions from receivables.

The following tables present the disclosure of counterparty credit risk.

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

3.2.a. Disclosure of counterparty credit risk: Derivative Transactions

(in million rupiah)

(in million rupees)

		31 December 2013							
No	Underlying Variable	Notional Amount			Derivative Receivables	Derivative Liabilities	Net Receivables before CRM	CRM	Net Receivables After CRM
		≤ 1 year	> 1Year ≤ 5 Year	> 5 Year					
BANK STAND ALONE									
1	Interest Rate	1,589,172	1,685,125	-	4,295	177	12,721	-	12,721
2	Exchange Rate	10,200,156	1,484,740	-	735,705	456,034	911,944	-	911,944
3	Others								
	TOTAL	11,789,328	3,169,865	-	740,000	456,211	924,664	-	924,664
CONSOLIDATED									
1	Interest Rate	4,099,235	2,658,725	-	4,295	177	17,589	-	17,589
2	Exchange Rate	12,710,219	2,458,340	-	1,170,222	458,673	1,420,241	-	1,420,241
3	Shares								
4	Gold								
5	Metal other than Gold								
6	Others								
	TOTAL	16,809,454	5,117,065	-	1,174,517	458,850	1,437,830	-	1,437,830

(in million rupiah)

(in million Rupiah)

		31 December 2012							
No	Underlying Variable	Notional Amount			Derivative Receivables	Derivative Liabilities	Net Receivables before CRM	CRM	Net Receivables After CRM
		≤ 1 year	> 1Year ≤ 5 Year	> 5 Year					
BANK STAND ALONE									
1	Interest Rate	2,218,022	1,760,493	-	19,575	7,272	28,377	-	28,377
2	Exchange Rate	4,120,286	1,453,213	-	96,508	60,753	210,372	-	210,372
3	Others								
	TOTAL	6,338,308	3,213,706	-	116,083	68,025	238,749	-	238,749
CONSOLIDATED									
1	Interest Rate	3,760,022	1,901,040	-	19,575	7,272	29,080	-	29,080
2	Exchange Rate	6,051,271	1,593,760	-	115,955	77,016	256,156	-	256,156
3	Shares								
4	Gold								
5	Metal other than Gold								
6	Others								
	TOTAL	9,811,293	3,494,800	-	135,530	84,288	285,236	-	285,236

Risk Management

3.2.b.1. Disclosure of counterparty credit risk: Repo transactions – Bank Stand Alone

(in million rupiah)

No	Portfolio Category	31 December 2013				31 December 2012			
		Fair Value of Securities Sold Under Repo Agreement	Repo Liabilities	Net Receivables	RWA	Fair Value of Securities Sold Under Repo Agreement	Repo Liabilities	Net Receivables	RWA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Receivables on Sovereigns	937,500	759,245	178,255	-	1,320,555	1,048,688	271,867	-
2	Receivables on Public Sector Entities								
3	Receivables on Multilateral Development Banks and International Institutions								
4	Receivables on Banks								
5	Receivables on Micro, Small Business & Retail Portfolio								
6	Receivables on Corporate								
7	Exposures at Syariah Business Unit (if any)								
TOTAL		937,500	759,245	178,255	-	1,320,555	1,048,688	271,867	-

3.2.b.2. Disclosure of counterparty credit risk: Repo transactions – Consolidated

(in million rupiah)

No	Portfolio Category	31 December 2013				31 December 2012			
		Fair Value of Securities Sold Under Repo Agreement	Repo Liabilities	Net Receivables	RWA	Fair Value of Securities Sold Under Repo Agreement	Repo Liabilities	Net Receivables	RWA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Receivables on Sovereigns	937,500	759,245	178,255	-	1,320,555	1,048,688	271,867	-
2	Receivables on Public Sector Entities								
3	Receivables on Multilateral Development Banks and International Institutions								
4	Receivables on Banks								
5	Receivables on Micro, Small Business & Retail Portfolio								
6	Receivables on Corporate								
7	Exposures at Syariah Business Unit (if any)								
TOTAL		937,500	759,245	178,255	-	1,320,555	1,048,688	271,867	-

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

3.2.c.1. Disclosure of counterparty credit risk: Reverse Repo transactions – Bank Stand Alone

(in million rupiah)

No	Portfolio Category	31 December 2013				31 December 2012			
		Net Receivables	CRM Value	Net Receivables after CRM	RWA after CRM	Net Receivables	CRM Value	Net Receivables after CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Receivables on Sovereigns	-	-	-	-	783,752	-	783,752	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-
4	Receivables on Banks	-	-	-	-	-	-	-	-
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-	-	-
6	Receivables on Corporate	-	-	-	-	-	-	-	-
7	Exposures at Syariah Business Unit (if any)	-	-	-	-	-	-	-	-
TOTAL		-	-	-	-	783,752	-	783,752	-

3.2.c.2. Disclosure of counterparty credit risk: Reverse Repo transactions – Consolidated

(in million rupiah)

No	Portfolio Category	31 December 2013				31 December 2012			
		Net Receivables	CRM Value	Net Receivables after CRM	RWA after CRM	Net Receivables	CRM Value	Net Receivables after CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Receivables on Sovereigns	-	-	-	-	783,752	-	783,752	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-
4	Receivables on Banks	-	-	-	-	-	-	-	-
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-	-	-
6	Receivables on Corporate	-	-	-	-	-	-	-	-
7	Exposures at Syariah Business Unit (if any)	-	-	-	-	-	-	-	-
TOTAL		-	-	-	-	783,752	-	783,752	-

Risk Management

11. Disclosure of Credit Risks Mitigation

Danamon takes into consideration the collateral availability as one of credit mitigation technique. The main purpose of the collateral is to limit the risk of loss if counterparty is unable to fulfill its obligations to the Bank and to protect against future risks that are unexpected and associated with credit exposure. However, the Bank does not consider collateral as a sole basis of credit decision-making, nor as a main source of loan payment.

Danamon has collateral policies and specifies the accepted collateral, including:

- a. Movable Asset
 - 1. Cash and cash equivalent collateral
 - 2. Securities of Government and Bank Indonesia
 - 3. Standby L/C of prime bank.
- b. Immovable Asset
 - 1. Land and building
 - 2. Planted machines.
- c. Guarantee
 - 1. Personal Guarantee
 - 2. Corporate Guarantee

Collateral assessment can be done by an internal or external appraisers. For the assessment, Danamon will always ensure appraisers have the knowledge, education, and experience in the field of collaterals. Bank external appraisers shall have good qualifications and may not have a relationship with the borrower. The external appraisers are appointed by the Bank.

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

If, after the assessment, there is a difference in results between internal and external assessors, then the value used is the most conservative value. The results of the assessment shall be documented in the Credit Archives.

If there is a change of collateral, Bank shall reassess the collateral. Depending on the type of changes, the appraisers need to adjust the parts relevant to the changes, and perform adjustments and update the prepared assessment reports. The absence of presence of changes in collateral value shall be completely documented.

Assessment of collateral is performed in the initial period of credit, and reassessed periodically, in accordance with the provision of collateral as a PPA deduction. For collateral that is used as a deducting factor for the formation of reserves, the assessment of collateral for credit facilities of more than Rp. 5 billion is done by an independent external appraisers.

Credit Risk Mitigation Methods for Standardized Approach

To calculate the credit risk mitigation as a deduction to Risk Weighted Assets (Credit Risk), Bank uses MRK-Collateral techniques. The eligible type of collateral is the type of financial collateral which complies with the regulation of Bank Indonesia; namely, cash, savings, current accounts, savings deposits, security deposits, gold and securities that have certain criteria set by Bank Indonesia.

For reverse repo transactions, collateral in the form of securities underlying the reverse repo transactions, and/ or cash, is calculated as a form of credit risk mitigation on reverse repo transactions.

The following are the disclosures of credit risk after calculating the impact of credit risk mitigation.

4.1.a. Disclosure of Net Receivables Based on Risk Weighted Assets After Calculating the Credit Risk Mitigation Impacts - Bank Stand Alone

(in million rupiah)

		31 December 2013										
No.	Portfolio Category	Net Receivables After Calculating the Credit Risk Mitigation Impacts										RWA
		0%	20%	35%	40%	45%	50%	75%	100%	150%	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
A	Exposure on Balance Sheet											
1	Receivable on Sovereigns	21,947,312										-
2	Receivables on Public Sector Entities	-	312,055	-	-	-	474,607	-	80,176	-		379,891
3	Receivables on Multilateral Development Banks and International Institutions	-										-
4	Receivables on Banks	15,900	8,194,542	-	-	-	816,565	-	-	-		2,047,191
5	Loans Secured by Residential Property	-	-	1,791,236	288,457	-	-	-	-	-		742,315
6	Loans Secured by Commercial Real Estate	170,892	-	-	-	-	-	-	514,117	-		514,117
7	Employee/Pensioner Loans	-										-
8	Receivables on Micro, Small Business & Retail Portfolio	139,901	-	-	-	-	-	45,772,133	-	-		34,329,100
9	Receivables on Corporate	2,244,976	812,072	-	-	-	478,203	-	54,148,506	-		54,550,021
10	Past Due Receivables	-	-	-	-	-	-	-	16,995	1,172,919		1,776,373
11	Other Assets	2,782,603							3,714,480	13,706		3,735,039
12	Exposures at Syariah Business Unit (if any)	815,174	199,263	19,832	-	-	25,000	-	1,424,618	-	147,370	1,609,176
	Total Exposure on Balance Sheet	28,116,758	9,517,932	1,811,068	288,457	-	1,794,375	45,772,133	59,898,892	1,186,625	147,370	99,683,223
B	Commitments/Contingencies Exposure for Off Balance Sheet Transactions											
1	Receivable on Sovereigns	-										-
2	Receivables on Public Sector Entities	442	-	-	-	-	40,568	-	-	-		20,284
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-		-
4	Receivables on Banks	-	7,888	-	-	-	11,578	-	-	-		7,366
5	Loans Secured by Residential Property	-	-	2,255	10	-	-	-	-	-		793
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-		-
7	Employee/Pensioner Loans	-										-
8	Receivables on Micro, Small Business & Retail Portfolio	56,352	-	-	-	-	-	1,142,116	-	-		856,587
9	Receivables on Corporate	334,298	-	-	-	-	-	-	2,017,452	-		2,017,452
10	Past Due Receivables	-	-	-	-	-	-	-	-	-		-
11	Exposures at Syariah Business Unit (if any)	-	1,242	-	-	-	-	-	-	-	-	248
	Total Commitments/Contingencies Exposure for Off Balance Sheet Transactions	391,092	9,130	2,255	10	-	52,146	1,142,116	2,017,452	-	-	2,902,730
C	Exposure on Counterparty Credit Risk											
1	Receivable on Sovereigns	665,512										-
2	Receivables on Public Sector Entities	-	-	-	-	-	-	-	-	-		-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-		-
4	Receivables on Banks	-	6,197	-	-	-	386,039	-	-	-		194,259
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-	3,010	-	-		2,257
6	Receivables on Corporate	-	-	-	-	-	-	-	42,161	-		42,161
7	Exposures at Syariah Business Unit (if any)	-										-
	Total Counterparty Credit Risk Exposures	665,512	6,197	-	-	-	386,039	3,010	42,161	-	-	238,677

- Risk Management
- Human Resources
- Information Technology
- Operations

	Capital Charge (9% x RWA) (14)	31 December 2012											RWA (25)	Capital Charge (9% x RWA) (26)
		Net Receivables After Calculating the Credit Risk Mitigation Impacts												
		0% (15)	20% (16)	35% (17)	40% (18)	45% (19)	50% (20)	75% (21)	100% (22)	150% (23)	Other (24)			
	-	17,216,979											-	-
	34,190	-	362,596	-	-	-	159,526	-	-	-		152,282	13,705	
	-	-											-	-
	184,247	40,767	6,598,104	-	-	-	722,761	-	-	-		1,681,002	151,290	
	66,808	-	-	1,537,701	531,271	-	-	-	-	-		750,704	67,563	
	46,271	190,133	-	-	-	-	-	-	414,286	-		414,286	37,286	
	-	-											-	-
	3,089,619	137,553	-	-	-	-	-	47,096,357	-	-		35,322,268	3,179,004	
	4,909,502	2,512,113	475,851	-	-	-	541,977	-	38,310,351	-		38,676,509	3,480,886	
	159,874	-	-	-	-	-	-	-	16,769	1,430,396		2,162,363	194,613	
	336,154	2,145,801							4,302,888	24,728		4,339,980	390,598	
	144,826	600,464	160,649	12,968	-	-	25,000	-	1,142,700	-	101,613	1,278,239	115,042	
	8,971,491	22,843,810	7,597,200	1,550,669	531,271	-	1,449,264	47,096,357	44,186,994	1,455,124	101,613	84,777,633	7,629,987	
	-	-											-	-
	1,826	295	-	-	-	-	66,186	-	-	-		33,092	2,978	
	-	-	-	-	-	-	-	-	-	-		-	-	
	663	-	-	-	-	-	7,171	-	-	-		3,585	323	
	71	-	-	1,835	109	-	-	-	-	-		686	62	
	-	-	-	-	-	-	-	-	-	-		-	-	
	-	-											-	-
	77,093	43,153	-	-	-	-	-	1,027,713	-	-		770,784	69,371	
	181,571	135,529	-	-	-	-	-	-	1,481,377	-		1,481,377	133,324	
	-	-	-	-	-	-	-	-	-	-		-	-	
	22	-	5,000	-	-	-	-	-	-	-	-	1,000	90	
	261,246	178,977	5,000	1,835	109	-	73,357	1,027,713	1,481,377	-	-	2,290,524	206,148	
	-	1,058,024											-	-
	-	-	-	-	-	-	-	-	-	-		-	-	
	-	-	-	-	-	-	-	-	-	-		-	-	
	17,483	-	4,734	-	-	-	173,843	-	-	-		87,868	7,908	
	203	-	-	-	-	-	-	3,557	-	-		2,668	240	
	3,794	-	-	-	-	-	-	-	54,209	-		54,209	4,879	
	-	-										-	-	
	21,480	1,058,024	4,734	-	-	-	173,843	3,557	54,209	-	-	144,745	13,027	

4.1.b. Disclosure of Net Receivables Based on Risk Weighted Assets After Calculating the Credit Risk Mitigation Impacts - Consolidated

(in million rupiah)

		31 December 2013											
No.	Portfolio Category	Net Receivables After Calculating the Credit Risk Mitigation Impacts										RWA	
		0%	20%	35%	40%	45%	50%	75%	100%	150%	Others		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
A	Exposure on Balance Sheet												
1	Receivable on Sovereigns	21,947,312	-	-	-	-	-	-	-	-	-	-	
2	Receivables on Public Sector Entities	-	312,055	-	-	-	474,607	-	80,176	-	-	379,891	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-	-	-	
4	Receivables on Banks	15,900	8,434,113	-	-	-	816,565	-	-	-	-	2,095,105	
5	Loans Secured by Residential Property	-	-	1,791,236	288,457	-	-	-	-	-	-	742,315	
6	Loans Secured by Commercial Real Estate	170,892	-	-	-	-	-	-	514,117	-	-	514,117	
7	Employee/Pensioner Loans	-	-	-	-	-	-	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	139,901	-	-	-	-	-	74,841,885	-	-	-	56,131,414	
9	Receivables on Corporate	2,244,976	775,584	-	-	-	478,203	-	54,148,506	-	-	54,542,723	
10	Past Due Receivables	-	-	-	-	-	-	-	16,995	1,459,213	-	2,205,814	
11	Other Assets	2,901,280	-	-	-	-	-	-	4,480,483	13,706	-	4,501,042	
12	Exposures at Syariah Business Unit (if any)	815,174	199,263	19,832	-	-	25,000	-	1,424,618	-	147,370	1,609,176	
	Total Exposure on Balance Sheet	28,235,435	9,721,015	1,811,068	288,457	-	1,794,375	74,841,885	60,664,895	1,472,919	147,370	122,721,598	
B	Commitments/Contingencies Exposure for Off Balance Sheet Transactions												
1	Receivable on Sovereigns	-	-	-	-	-	-	-	-	-	-	-	
2	Receivables on Public Sector Entities	442	-	-	-	-	40,568	-	-	-	-	20,284	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-	-	-	
4	Receivables on Banks	-	7,888	-	-	-	11,578	-	-	-	-	7,366	
5	Loans Secured by Residential Property	-	-	2,255	10	-	-	-	-	-	-	793	
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	
7	Employee/Pensioner Loans	-	-	-	-	-	-	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	56,352	-	-	-	-	-	1,142,116	-	-	-	856,587	
9	Receivables on Corporate	334,298	-	-	-	-	-	-	2,017,452	-	-	2,017,452	
10	Past Due Receivables	-	-	-	-	-	-	-	-	-	-	-	
11	Exposures at Syariah Business Unit (if any)	-	1,242	-	-	-	-	-	-	-	-	248	
	Total Commitments/Contingencies Exposure for Off Balance Sheet Transactions	391,092	9,130	2,255	10	-	52,146	1,142,116	2,017,452	-	-	2,902,730	
C	Exposure on Counterparty Credit Risk												
1	Receivable on Sovereigns	665,512	-	-	-	-	-	-	-	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-	-	-	
4	Receivables on Banks	-	6,197	-	-	-	899,205	-	-	-	-	450,842	
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-	3,010	-	-	-	2,257	
6	Receivables on Corporate	-	-	-	-	-	-	-	42,161	-	-	42,161	
7	Exposures at Syariah Business Unit (if any)	-	-	-	-	-	-	-	-	-	-	-	
	Total Counterparty Credit Risk Exposures	665,512	6,197	-	-	-	899,205	3,010	42,161	-	-	495,260	

- Risk Management
- Human Resources
- Information Technology
- Operations

	Capital Charge (9% x RWA) (14)	31 December 2012											RWA (25)	Capital Charge (9% x RWA) (26)
		Net Receivables After Calculating the Credit Risk Mitigation Impacts												
		0% (15)	20% (16)	35% (17)	40% (18)	45% (19)	50% (20)	75% (21)	100% (22)	150% (23)	Other (24)			
-	17,216,979	-	-	-	-	-	-	-	-	-	-	-	-	
34,190	-	362,596	-	-	-	-	159,526	-	-	-	-	152,282	13,705	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
188,559	40,767	6,945,513	-	-	-	-	722,761	-	-	-	-	1,750,484	157,543	
66,808	-	-	1,537,701	531,271	-	-	-	-	-	-	-	750,704	67,563	
46,271	190,133	-	-	-	-	-	-	-	414,286	-	-	414,286	37,286	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5,051,828	137,553	-	-	-	-	-	70,062,296	-	-	-	-	52,546,722	4,729,205	
4,908,845	2,512,113	475,851	-	-	-	-	541,977	-	38,310,351	-	-	38,676,509	3,480,886	
198,524	-	-	-	-	-	-	-	-	16,769	1,644,700	-	2,483,819	223,544	
405,095	2,414,253	-	-	-	-	-	-	-	4,883,980	24,728	-	4,921,072	442,897	
144,826	600,464	160,649	12,968	-	-	-	25,000	-	1,142,700	-	101,613	1,278,239	115,042	
11,044,946	23,112,262	7,944,609	1,550,669	531,271	-	1,449,264	70,062,296	44,768,086	1,669,428	101,613	102,974,117	9,267,671		
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1,826	295	-	-	-	-	-	66,186	-	-	-	-	33,092	2,978	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
663	-	-	-	-	-	-	7,171	-	-	-	-	3,585	323	
71	-	-	1,835	109	-	-	-	-	-	-	-	686	62	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
77,093	43,153	-	-	-	-	-	-	1,027,713	-	-	-	770,784	69,371	
181,571	135,529	-	-	-	-	-	-	-	1,481,377	-	-	1,481,377	133,324	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
22	-	5,000	-	-	-	-	-	-	-	-	-	1,000	90	
261,246	178,977	5,000	1,835	109	-	73,357	1,027,713	1,481,377	-	-	-	2,290,524	206,148	
-	1,058,024	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
40,575	-	4,734	-	-	-	-	220,330	-	-	-	-	111,112	10,000	
203	-	-	-	-	-	-	-	3,557	-	-	-	2,668	240	
3,794	-	-	-	-	-	-	-	-	54,209	-	-	54,209	4,879	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	
44,572	1,058,024	4,734	-	-	-	-	220,330	3,557	54,209	-	-	167,989	15,119	

Risk Management

4.2.a. Disclosure of Net Receivables and Credit Risk Mitigation Techniques - Bank Stand Alone

(in million rupiah)

No.	Portfolio Category	31 December 2013					Unsecured Portion
		Net Receivable	Collateral	Guarantee	Credit Insurance	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3) - [(4)+(5)+(6)+(7)]
A Exposure on Balance sheet							
1	Receivable on Sovereigns	21,947,312	-				21,947,312
2	Receivables on Public Sector Entities	866,838	-				866,838
3	Receivables on Multilateral Development Banks and International Institutions	-	-				-
4	Receivables on Banks	9,027,007	15,900				9,011,107
5	Loans Secured by Residential Property	2,079,693	-				2,079,693
6	Loans Secured by Commercial Real Estate	685,009	170,892				514,117
7	Employee/Pensioner Loans	-	-				-
8	Receivables on Micro, Small Business & Retail Portfolio	45,912,034	139,901				45,772,133
9	Receivables on Corporate	57,683,757	2,244,976				55,438,781
10	Past Due Receivables	1,189,914	-				1,189,914
11	Other Assets	6,510,789					6,510,789
12	Exposures at Syariah Business Unit (if any)	2,631,257	191,306	-	-	-	2,439,951
Total Exposure on Balance sheet		148,533,610	2,762,975	-	-	-	145,770,635
B Commitments/Contingencies Exposure for Off Balance Sheet Transactions							
1	Receivable on Sovereigns	-	-				-
2	Receivables on Public Sector Entities	41,010	442				40,568
3	Receivables on Multilateral Development Banks and International Institutions	-	-				-
4	Receivables on Banks	19,466	-				19,466
5	Loans Secured by Residential Property	2,265	-				2,265
6	Loans Secured by Commercial Real Estate	-	-				-
7	Employee/Pensioner Loans	-	-				-
8	Receivables on Micro, Small Business & Retail Portfolio	1,198,468	56,352				1,142,116
9	Receivables on Corporate	2,351,750	334,298				2,017,452
10	Past Due Receivables	-	-				-
11	Exposures at Syariah Business Unit (if any)	1,242	-	-	-	-	1,242
Total Commitments/Contingencies Exposure for Off Balance Sheet Transactions		3,614,201	391,092	-	-	-	3,223,109
C Counterparty Credit Risk Exposures							
1	Receivable on Sovereigns	665,512					665,512
2	Receivables on Public Sector Entities	-					-
3	Receivables on Multilateral Development Banks and International Institutions	-					-
4	Receivables on Banks	392,236					392,236
5	Receivables on Micro, Small Business & Retail Portfolio	3,010					3,010
6	Receivables on Corporate	42,161					42,161
7	Exposures at Syariah Business Unit (if any)						-
Total Counterparty Credit Risk Exposures		1,102,919	-	-	-	-	1,102,919
Total (A+B+C)		153,250,730	3,154,067	-	-	-	150,096,663

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

31 December 2012						
Net Receivables	Secured Portion			Credit Insurance	Others	Unsecured Portion (13) = (8)- [(9)+(10)+(11)+(12)]
	Collateral	Guarantee				
(8)	(9)	(10)		(11)	(12)	
17,216,979	-					17,216,979
522,122	-					522,122
-	-					-
7,361,632	40,767					7,320,865
2,068,972	-					2,068,972
604,419	190,133					414,286
-	-					-
47,233,910	137,553					47,096,357
41,840,292	2,512,113					39,328,179
1,447,165	-					1,447,165
6,473,417						6,473,417
2,043,394	256,026	-		-	-	1,787,368
126,812,302	3,136,592	-		-	-	123,675,710
-	-					-
66,481	295					66,186
-	-					-
7,171	-					7,171
1,944	-					1,944
-	-					-
-	-					-
1,070,866	43,153					1,027,713
1,616,906	135,529					1,481,377
-	-					-
5,000	-	-		-	-	5,000
2,768,368	178,977	-		-	-	2,589,391
1,058,024						1,058,024
-						-
-						-
178,577						178,577
3,557						3,557
54,209						54,209
-						-
1,294,367	-	-		-	-	1,294,367
130,875,037	3,315,569	-		-	-	127,559,468

Risk Management

4.2.b. Disclosure of Net Receivables and Credit Risk Mitigation Techniques - Consolidated

(in million rupiah)

No.	Portfolio Category	31 December 2013					Unsecured Portion
		Net Receivables	Collateral	Guarantee	Credit Insurance	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3) - [(4)+(5)+(6)+(7)]
A Exposure on Balance sheet							
1	Receivable on Sovereigns	21,947,312	-	-	-	-	21,947,312
2	Receivables on Public Sector Entities	866,838	-	-	-	-	866,838
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	9,266,578	15,900	-	-	-	9,250,678
5	Loans Secured by Residential Property	2,079,693	-	-	-	-	2,079,693
6	Loans Secured by Commercial Real Estate	685,009	170,892	-	-	-	514,117
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	74,981,786	139,901	-	-	-	74,841,885
9	Receivables on Corporate	57,647,269	2,244,976	-	-	-	55,402,293
10	Past Due Receivables	1,476,208	-	-	-	-	1,476,208
11	Other Assets	7,395,469	-	-	-	-	7,395,469
12	Exposures at Syariah Business Unit (if any)	2,631,257	191,306	-	-	-	2,439,951
Total Exposure on Balance sheet		178,977,419	2,762,975	-	-	-	176,214,444
B Commitments/Contingencies Exposure for Off Balance Sheet Transactions							
1	Receivable on Sovereigns	-	-	-	-	-	-
2	Receivables on Public Sector Entities	41,010	442	-	-	-	40,568
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	19,466	-	-	-	-	19,466
5	Loans Secured by Residential Property	2,265	-	-	-	-	2,265
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	1,198,468	56,352	-	-	-	1,142,116
9	Receivables on Corporate	2,351,750	334,298	-	-	-	2,017,452
10	Past Due Receivables	-	-	-	-	-	-
11	Exposures at Syariah Business Unit (if any)	1,242	-	-	-	-	1,242
Total Commitments/Contingencies Exposure for Off Balance Sheet Transactions		3,614,201	391,092	-	-	-	3,223,109
C Counterparty Credit Risk Exposures							
1	Receivable on Sovereigns	665,512	-	-	-	-	665,512
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	905,402	-	-	-	-	905,402
5	Receivables on Micro, Small Business & Retail Portfolio	3,010	-	-	-	-	3,010
6	Receivables on Corporate	42,161	-	-	-	-	42,161
7	Exposures at Syariah Business Unit (if any)	-	-	-	-	-	-
Total Counterparty Credit Risk Exposures		1,616,085	-	-	-	-	1,616,085
Total (A+B+C)		184,207,705	3,154,067	-	-	-	181,053,638

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

31 December 2012						
Net Receivables	Secured Portion			Others	Unsecured Portion	
(8)	Collateral (9)	Guarantee (10)	Credit Insurance (11)	(12)	(13) = (8)- [(9)+(10)+(11)+(12)]	
17,216,979	-	-	-	-	17,216,979	
522,122	-	-	-	-	522,122	
-	-	-	-	-	-	
7,709,041	40,767	-	-	-	7,668,274	
2,068,972	-	-	-	-	2,068,972	
604,419	190,133	-	-	-	414,286	
-	-	-	-	-	-	
70,199,849	137,553	-	-	-	70,062,296	
41,840,292	2,512,113	-	-	-	39,328,179	
1,661,469	-	-	-	-	1,661,469	
7,322,961	-	-	-	-	7,322,961	
2,043,394	256,026	-	-	-	1,787,368	
151,189,498	3,136,592	-	-	-	148,052,906	
-	-	-	-	-	-	
66,481	295	-	-	-	66,186	
-	-	-	-	-	-	
7,171	-	-	-	-	7,171	
1,944	-	-	-	-	1,944	
-	-	-	-	-	-	
-	-	-	-	-	-	
1,070,866	43,153	-	-	-	1,027,713	
1,616,906	135,529	-	-	-	1,481,377	
-	-	-	-	-	-	
5,000	-	-	-	-	5,000	
2,768,368	178,977	-	-	-	2,589,391	
1,058,024	-	-	-	-	1,058,024	
-	-	-	-	-	-	
-	-	-	-	-	-	
225,064	-	-	-	-	225,064	
3,557	-	-	-	-	3,557	
54,209	-	-	-	-	54,209	
-	-	-	-	-	-	
1,340,854	-	-	-	-	1,340,854	
155,298,720	3,315,569	-	-	-	151,983,151	

Risk Management

12. Disclosure of Asset Securitization

Securitization is a process of taking non-liquid assets or asset group and through financial engineering transforming it into securities. Securities issued are based on the transfer of financial assets from the Originator followed by the payment for proceeds of the sale of asset-backed securities to investors.

In line with the Regulations of Bank Indonesia No. 7/4/ PBI/2005 and Circular Letter of BI, SEBI No.7/51/DPNP on Prudential Principles of Securitization Activities for Commercial Banks, in the activity of asset securitization, the Bank can perform its functions as Originator, Credit Enhancer, Funding Provider, Servicer, Custodian Bank, and/or Investor (Senior Investor and Junior Investor). Danamon takes the role of a Senior Investor, which will be firstly prioritized.

The main purpose of investment is as follows:

- a. To optimize the return of excess liquidity of the Bank, resulting from the structural position of the Bank's balance sheet.
- b. To diversify the Bank's risks through marginal investment (as a percentage of loan portfolio) in KPR (mortgage risk).
- c. To gain access to the knowledge mechanism of potential process of EBA issuance by the Bank's group.

The granting of credit to purchase EBA securities also comes with a risk. Credit risk of EBA securities is the inability of debtors to pay their installments at a certain interest rate above Junior Tranches', which exceeds the reserve account and the inability of Credit Support to make payments to Senior Tranches.

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

Summary of EBA Accounting Treatment on EBA Securities

EBA securities for the Bank are classified as securities (financial assets). The Bank will evaluate whether there is objective evidence of a purchase of EBA securities, which cannot be recorded at fair value through the profit and loss report, and whether this has been impaired. Securities classified as available for (AFS) are measured at a fair value, plus transaction costs.

Following initial recognition, such securities are recorded at a fair value. The changes of other fair value are recognized directly in equity, until such investments are sold or impaired, where the previous cumulative profit recognized in equity shall be recognized in a profit and loss report based on the weighted average method.

The interest income is recognized in the profit and loss report by using the effective interest method, and interest income generated from EBA securities is charged as Bank's income tax.

The Bank limits investment in EBA securities to Rp. 50 billion and its application shall be approved and recommended by the Treasury and Capital market Director and Integrated Risk Director. In addition, EBA securities shall be recorded as securities available for sale (AFS). Currently, EBA exposure held by the Bank as a senior investor uses Moody's ratings.

The following is the List of Disclosures of Quantitative Transactions of Bank Danamon Asset Securitization.

Risk Management

5.1.a. Disclosure of Securitization Transactions - Bank Stand Alone

(in million rupiah)

No.	Securitization Exposure	Value of Securitized Asset	31 December 2013		Profit/ Loss from Securitization Activity	Risk Weighted Asset	Capital Deduction
			Impaired Assets Past due	Securitized Assets Non- Past Due			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Bank acting as First Creditor						
2	Bank acting as Credit Enhancement Provider						
	a. First Risk Insurer Facility						
	b. Second Risk Insurer Facility						
3	Bank acting as Liquidity Facility Provider						
4	Bank acting as Service Provider						
5	Bank acting as Custodian Bank						
6	Bank acting as Investor						
	a. Senior Tranche					19,233	
	Exposure Types: Asset Backed Securities						
	b. Junior Tranche						

5.1.b. Disclosure of Securitization Transactions - Consolidated

(in million rupiah)

No.	Securitization Exposure	Value of Securitized Asset	31 December 2013		Profit/ Loss from Securitization Activity	Risk Weighted Asset	Capital Deduction
			Impaired Assets Past due	Securitized Assets Non- Past Due			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Bank acting as First Creditor						
2	Bank acting as Credit Enhancement Provider						
	a. First Risk Insurer Facility						
	b. Second Risk Insurer Facility						
3	Bank acting as Liquidity Facility Provider						
4	Bank acting as Service Provider						
5	Bank acting as Custodian Bank						
6	Bank acting as Investor						
	a. Senior Tranche					19,233	
	Exposure Types: Asset Backed Securities						
	b. Junior Tranche						

Risk Management

Calculation of the Standardized Approach of Credit Risk Weighted Assets– Bank Stand Alone

6.1.1. Disclosure of Asset Exposures in the Balance Sheet

(in million rupiah)

No.	Portfolio Category	31 December 2013			31 December 2012		
		Net Receivable	RWA before CRM	RWA after CRM	Net Receivable	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivable on Sovereigns	21,947,312	-	-	17,216,979	-	-
2	Receivables on Public Sector Entities	866,838	379,891	379,891	522,122	152,282	152,282
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	9,027,007	2,055,141	2,047,191	7,361,632	1,700,785	1,681,002
5	Loans Secured by Residential Property	2,079,693	742,315	742,315	2,068,972	750,704	750,704
6	Loans Secured by Commercial Real Estate	685,009	685,009	514,117	604,419	604,419	414,286
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	45,912,034	34,434,026	34,329,100	47,233,910	35,425,432	35,322,268
9	Receivables on Corporate	57,683,757	56,794,998	54,550,021	41,840,292	41,188,622	38,676,509
10	Past Due Receivables	1,189,914	1,776,373	1,776,373	1,447,165	2,162,363	2,162,363
11	Other Assets	6,510,789	-	3,735,039	6,473,417	-	4,339,980
TOTAL		145,902,353	96,867,752	98,074,047	124,768,908	81,984,608	83,499,394

6.1.2. Disclosure of Commitments/Contingencies Exposure for Off Balance Sheet Transactions

(in million rupiah)

No.	Portfolio Category	31 December 2013			31 December 2012		
		Net Receivable	RWA before CRM	RWA after CRM	Net Receivable	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivable on Sovereigns	-	-	-	-	-	-
2	Receivables on Public Sector Entities	41,010	20,505	20,284	66,480	33,240	33,092
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	19,466	7,366	7,366	7,171	3,585	3,585
5	Loans Secured by Residential Property	2,265	793	793	1,944	686	686
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	1,198,468	898,851	856,587	1,070,865	803,149	770,784
9	Receivables on Corporate	2,351,750	2,351,750	2,017,451	1,616,906	1,616,906	1,481,377
10	Past Due Receivables	-	-	-	-	-	-
TOTAL		3,612,958	3,279,265	2,902,481	2,763,366	2,457,566	2,289,525

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

6.1.3. Disclosure of Exposures causing Counterparty Credit Risk

(Counterparty Credit Risk)

(in million rupiah)

No.	Portfolio Category	31 December 2013			31 December 2012		
		Net Receivable	RWA before CRM	RWA after CRM	Net Receivable	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivables on Sovereigns	665,512	-	-	1,058,024	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	392,236	194,259	194,259	178,577	87,868	87,868
5	Receivables on Micro, Small Business & Retail Portfolio	3,010	2,257	2,257	3,557	2,668	2,668
6	Receivables on Corporate	42,161	42,161	42,161	54,209	54,209	54,209
TOTAL		1,102,919	238,677	238,677	1,294,367	144,745	144,745

6.1.4. Disclosure of Exposures causing Credit Risk due to Settlement Risk

(Settlement Risk)

(in million rupiah)

No.	Portfolio Category	31 December 2013			31 December 2012		
		Net Receivable	RWA before CRM	RWA after CRM	Net Receivable	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Delivery versus Payment	-	-	-	-	-	-
	a. Capital Charge 8% (5-15 days)	-	-	-	-	-	-
	b. Capital Charge 50% (16-30 days)	-	-	-	-	-	-
	c. Capital Charge 75% (31-45 days)	-	-	-	-	-	-
	d. Capital Charge 100% (more than 45 days)	-	-	-	-	-	-
2	Non-delivery versus Payment	-	-	-	-	-	-
TOTAL		-	-	-	-	-	-

6.1.5. Disclosure of Securitization Exposures

(in million rupiah)

No.	Portfolio Category	31 December 2013		31 December 2012	
		Capital Deduction Factor	RWA after CRM	Capital Deduction Factor	RWA after CRM
(1)	(2)	(3)	(4)	(3)	(4)
1	Qualified Enhancement Credit Facility	-	-	-	-
2	Un-qualified Enhancement Credit Facility	-	-	-	-
3	Qualified Liquidity Facility	-	-	-	-
4	Un-qualified Liquidity Facility	-	-	-	-
5	Qualified Purchase of Assets-Backed Security	-	19,233	-	31,202
6	Un-qualified Purchase of Assets-Backed Security	-	-	-	-
7	Securitization Exposure which is not included in the regulation of Bank Indonesia regarding prudent principles in activating banks assets securitization.	-	-	-	-
TOTAL		-	19,233	-	31,202

Risk Management

6.1.6. Disclosure of Exposures in Syariah Business Unit

(in million rupiah)

No.	Portfolio Category	31 December 2013		31 December 2012	
		Capital Deduction Factor	RWA after CRM	Capital Deduction Factor	RWA after CRM
(1)	(2)	(3)	(4)	(3)	(4)
1	Total Eksposur	-	1,609,425	-	1,279,239
TOTAL		-	1,609,425	-	1,279,239

6.1.7. Disclosure of Total Credit Risks Measurement

(in million rupiah)

	31 December 2013	31 December 2012
TOTAL CREDIT RISK RWA	102,843,863	87,244,106
TOTAL CAPITAL DEDUCTION FACTOR	-	-

Calculation of the Standardized Approach of Credit Risk Weighted Assets– Consolidated

6.2.1. Disclosure of Assets Exposures in the Balance Sheet

(in million rupiah)

No.	Portfolio Category	31 December 2013			31 December 2012		
		Net Receivables	RWA before CRM	RWA after CRM	Net Receivables	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivable on Sovereigns	21,947,312	-	-	17,216,979	-	-
2	Receivables on Public Sector Entities	866,838	379,891	379,891	522,122	152,282	152,282
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	9,266,578	2,103,055	2,095,105	7,709,041	1,770,267	1,750,483
5	Loans Secured by Residential Property	2,079,693	742,315	742,315	2,068,972	750,704	750,704
6	Loans Secured by Commercial Real Estate	685,009	685,009	514,117	604,419	604,419	414,286
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	74,981,786	56,236,339	56,131,413	70,199,848	52,649,886	52,546,722
9	Receivables on Corporate	57,647,269	56,787,700	54,542,723	41,840,292	41,188,622	38,676,509
10	Past Due Receivables	1,476,208	2,205,815	2,205,815	1,661,469	2,483,819	2,483,819
11	Other Assets	7,395,469	-	4,501,042	7,322,961	-	4,921,072
TOTAL		176,346,161	119,140,124	121,112,422	149,146,103	99,599,999	101,695,877

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

6.2.2. Disclosure of Commitment Exposures / Contingency on Administrative Account Transactions

(in million rupiah)

No.	Portfolio Category	31 December 2013			31 December 2012		
		Net Receivables	RWA before CRM	RWA after CRM	Net Receivables	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivable on Sovereigns	-	-	-	-	-	-
2	Receivables on Public Sector Entities	41,010	20,505	20,284	66,480	33,240	33,092
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	19,466	7,366	7,366	7,171	3,585	3,585
5	Loans Secured by Residential Property	2,265	793	793	1,944	686	686
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	1,198,468	898,851	856,587	1,070,865	803,149	770,784
9	Receivables on Corporate	2,351,750	2,351,750	2,017,451	1,616,906	1,616,906	1,481,377
10	Past Due Receivables	-	-	-	-	-	-
TOTAL		3,612,958	3,279,265	2,902,481	2,763,366	2,457,566	2,289,525

6.2.3. Disclosure of Exposures causing Counterparty Credit Risk

(Counterparty Credit Risk)

(in million rupiah)

No.	Portfolio Category	31 December 2013			31 December 2012		
		Net Receivables	RWA before CRM	RWA after CRM	Net Receivables	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivables on Sovereigns	665,512	-	-	1,058,024	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	905,402	450,842	450,842	225,064	111,112	111,112
5	Receivables on Micro, Small Business & Retail Portfolio	3,010	2,257	2,257	3,557	2,668	2,668
6	Receivables on Corporate	42,161	42,161	42,161	54,209	54,209	54,209
TOTAL		1,616,085	495,260	495,260	1,340,854	167,989	167,989

Risk Management

6.2.4. Disclosure of Exposures causing Credit Risk due Settlement Risk

(Settlement Risk)

(in million rupiah)

No.	Portfolio Category	31 December 2013			31 December 2012		
		Exposure Value	RWA before CRM	RWA after CRM	Exposure Value	RWA before CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Delivery versus Payment	-	-	-	-	-	-
	a. Capital Charge 8% (5-15 days)	-	-	-	-	-	-
	b. Capital Charge 50% (16-30 days)	-	-	-	-	-	-
	c. Capital Charge 75% (31-45 days)	-	-	-	-	-	-
	d. Capital Charge 100% (more than 45 days)	-	-	-	-	-	-
2	Non-delivery versus Payment	-	-	-	-	-	-
TOTAL		-	-	-	-	-	-

6.2.5. Disclosure of Securitization Exposures

(in million rupiah)

No.	Portfolio Category	31 December 2013		31 December 2012	
		Capital Deduction Factor	RWA after CRM	Capital Deduction Factor	RWA after CRM
(1)	(2)	(3)	(4)	(3)	(4)
1	Qualified Enhancement Credit Facility	-	-	-	-
2	Un-qualified Enhancement Credit Facility	-	-	-	-
3	Qualified Liquidity Facility	-	-	-	-
4	Un-qualified Liquidity Facility	-	-	-	-
5	Qualified Purchase of Assets-Backed Security	-	19,233	-	31,202
6	Un-qualified Purchase of Assets-Backed Security	-	-	-	-
7	Securitization Exposure which is not included in the regulation of Bank Indonesia regarding prudent principles in activating banks assets securitization.	-	-	-	-
TOTAL		-	19,233	-	31,202

6.2.6. Disclosure of Exposures in Syariah Business Unit

(in million rupiah)

No.	Portfolio Category	31 December 2013		31 December 2012	
		Capital Deduction Factor	RWA after CRM	Capital Deduction Factor	RWA after CRM
(1)	(2)	(3)	(4)	(3)	(4)
1	Total Exposure	-	1,609,425	-	1,279,239
TOTAL		-	1,609,425	-	1,279,239

6.2.7. Disclosure of Total Credit Risks Measurement

(in million rupiah)

	31 December 2013	31 December 2012
TOTAL CREDIT RISK RWA	126,138,821	105,463,832
TOTAL CAPITAL DEDUCTION FACTOR	-	-

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B. MARKET RISK

Market Risk Management covers the management and monitoring of all risks faced by banks as a result of movements against the market factor. Market factors include (but are not limited to) the interest rate, FX, interest rate movement and FX movement.

As a consequence of the daily activities of the Bank, market risks arise from two different areas and are separately managed. First, there is risk from treasury trading activities and second, there is risk due to the gap of interest rate on the balance sheet. Furthermore, the former area is defined as risk in Trading Book while the latter is defined as the Interest Rate Risk in the Balance Sheet. Market Risk Management applies to both risks.

Market Risk Management Organization

Market Risk Management Organization is a top-down process in the Bank's organization, starting from the Risk Monitoring Committee, Board of Directors through Asset & Liabilities Committee (ALCO), and senior management actively involved in the planning, approval, review, and study of all risks involved.

Market Risk Management Implementation

Market Risk Management Implementation is carried out through a process of identification, measurement, and monitoring, and is supported by the implementation of management information systems. Market risk is managed by Market and Liquidity Risk (MLR) Management Division, which is an independent function in the Bank, which develops,

implements and maintains a comprehensive and integrated market risk framework including qualitative and quantitative methodologies/tools to identify, measure, aggregate, manage, monitor, control and report market risks.

1. Trading Risk

Trading risk is primarily managed by a limit structure and monitored every day by the Market & Liquidity Risk (MLR) Management division.

The identification process begins with a Product Program (PP), which risk is identified and procedure is employed to reduce, transfer, and manage the risk. PP begins with product unit and is used to gain approval for new products with special requirements and regulations, or to approve changes in existing products.

2. Interest Rate Risk in Banking Book

Interest rate risk is exposure over the financial conditions of a bank, moving opposite to the movement of interest rates (adverse movement). The risk element is an inherent part of the banking business. Good risk management can enable such exposure to be an additional source of income that will increase value for shareholders. However, excessive exposure to the interest rate risk can cause a significant threat to bank's income and capital.

The interest rate risk identification process begins with the balance sheet itself, where the risk can be identified and managed on a daily basis.

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Risk Factors

Risk factors are defined as variables that cause changes in the value of a financial instrument or a portfolio in a financial instrument, either on or off-balance sheet. Fundamental market risk factors that will be included in the risk measurement systems are:

1. Foreign Exchange (FX).
2. Interest Rate
3. Equity/ Commodity.
4. Optionality.

The risk factors may occur separately or in a combination of several risk factors, if the Bank's products or activities have several risk factors to be managed; however, in this context it is only limited to interest rate risk and FX.

Measurement, Monitoring, and Controlling of Market Risks

Trading Risk

The measurement of trading market risk is implemented in an already identified market risk and followed by the control of the limit system. The framework of market risk measurement begins with a further sorting of components of market risk factors.

As an important element in market risk management, valuation of the financial instrument is to be carried out every day. The result of the valuation is used as a part of the measurement and controlling of risk. A valuation method primarily used is based on the rate/index that can be observed (mark-to-market) if a liquid market is available. For a market of an

inactive financial instrument, the fair value is calculated with mark-to-model. Mark-to-model is used by banks, including, but not limited to, the following methods: Discounted Cash Flow, Modeling and Benchmarking.

The monitoring of risk of trading market is implemented by considering the risk appetite of management in the form of Management Action Triggers (MAT) which gives sensitivity to management should the level of risk is at a high level. MLR functions to monitor MAT and limit other market risks on a daily basis.

Interest Rate Risk

The measurement of interest rate risk shall cover the selection of exposure measurement method of balance-sheet market risk, including: Factor Sensitivity Measures, Gaps, Earning at Risk, Economic Value Equity (EVE) and Stress Test.

MLR independently monitors all limits approved on a daily basis.

Minimum Capital Adequacy

Danamon is committed to meet the Minimum Capital Adequacy (KPMM) stipulated by the regulator. Therefore, each month the Bank will calculate the Risk Weighted Assets (ATMR) by using a standardized approach. In the calculation, the bank takes two exposures into account, namely, interest rate exposure and FX exposure. Interest rate exposure consists of specific risks and general risks, including debt, debt related instruments, and interest rate derivatives on trading book. On the other hand, FX exposure is targeted at foreign exchange risk on trading book and banking book.

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Quantitative Disclosure of Market Risks

7.1. Disclosure of Market Risks by Using Standardized Methodology
 (in million rupiah)

No.	Risk Types	31 December 2013				31 December 2012			
		Bank		Consolidated		Bank		Consolidated	
		Capital Charge	RWA	Capital Charge	RWA	Capital Charge	RWA	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Interest Rate Risk		270,382		270,382		216,751		216,751
	a. Specific Risk	-	-	-	-	1,103	13,786	1,103	13,786
	b. General Risk	21,631	270,382	21,631	270,382	16,237	202,965	16,237	202,965
2	Exchange Rate Risk	10,164	127,045	10,460	130,749	7,863	98,291	7,863	98,291
3	Equity Risk	-	-	-	-	-	-	-	-
4	Commodity Risk	-	-	-	-	-	-	-	-
5	Option Risk	-	-	-	-	-	-	-	-
	Total	31,795	397,427	32,091	401,131	25,203	315,042	25,203	315,042

C. OPERATIONAL RISK

Operational risk is a risk of loss arising from the inadequacy or failure of internal processes, humans or systems, or from an external event, which affects the Bank's operational activities.

In determining the scope of operational risk management policies, a definition of operational risk has been specified in the Regulation of Bank Indonesia (PBI no.05/ PBI/8/2003) and its amendment (PBI No.11/25/ PBI/2009), where the legal risk, business risk, and strategic reputation risk is not included in the category of operational risk.

Operational Risk Management Organization

The objective of Danamon in managing operational risk is to minimize the impact of failure/inadequacy of internal processes, human factors, systems or external events which may have resulted in a financial and non-financial loss as well as damaging the reputation of the Bank. To achieve its objective, the Bank has formed an organizational structure of operational risk management.

The Risk Management Director, together with the Risk Division Head, serves as a Chairman of the operational risk management committee and is in charge of operational risk employees and all business lines and supporting functions. This Committee aims to ensure that the entire Board of Directors and Board of Commissioners perform their monitoring functions towards operational risk by holding a discussion relevant to significant operational risks, monitoring implementation of an operational risk management framework, and providing direction over the required follow-up.

ORM Division also appoints ORM PIC on each Line of Business/Support Function/Subsidiaries to ensure sound implementation of operational risk management framework in each working unit.

Danamon develops awareness and operational risk culture at all levels and appoints operational risk management functions for all related parties. The working unit is responsible for identifying, managing, mitigating, and

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reporting operational risk. To ensure the actuation of operational risk management, a working unit is assisted by an officer appointed as Operational Management Head in business lines and support functions.

The Operational Risk Management Division functions as a facilitator in operational risk management practice, and is responsible for the planning, defining, developing and maintaining of an operational risk management framework, monitoring the implementation of said framework in all working units and ensuring adequate control over the policies and procedures towards the activity of operational risk management.

Operational Risk Management

The integrated implementation of operational risk management in Danamon and its subsidiaries is carried out to ensure that the control of operational risks have been implemented in the best possible manner. All business lines and support functions as working units are obliged to identify factors that can cause the occurrence of operational risks from product activities, processes, services, organizations and information systems, referring to a Risk Event Table, Risk Control Self Assessment (RCSA) and Key Risk Indicator (KRI).

Furthermore, all business lines and support functions shall apprehend, measure, analyze, monitor and submit an operational risk report by recording any events of operational risk, and implementing Risk Control Self Assessment and Key Risk Indicators, periodically and in a timely manner.

The Operational Risk Management Division is also responsible for providing a comprehensive description of all operational risks to the Risk Management Committee, both at the level of Commissioner and at the level of Board of Directors, and each head of a working unit is responsible for supporting effective monitoring of operational risk.

As part of the Bank's endeavors to improve the monitoring of operational risk, the followings are some of the efforts that have been implemented and will continue to be improved:

- Expansion of recording coverage, analysis and risk event reports in a more detailed manner to ascertain the position of the Bank concerning existing problems relevant to operational risks.
- Development of an Operational Risk Management System (ORMS) application to improve the effectiveness of operational risk management.
- Identify the inherent operational risks through the development of a Risk Event Table, Risk Control Self Assessment and Key Risk Indicator used to ascertain the potentials of operational risks and thus enable preventive actions.

In addition, one of the primary mitigations of operational risks is the implementation of insurance coordinated in a comprehensive manner through maximum insurance policy coverage towards risk exposure. Insurance policies covering these assets and Bank's financial comprehensively consist of Money Insurance, Property All Risk, Bankers Blanket Bonds/Electronic Computer Crime and Directors & Officers and Electronic Equipment Insurance.

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Operational Risk Measurement

Operational Risks Management still uses the basic standardized approach in accordance with Circular Letter of BI No. 11/3/DPNP on 27 January 2009. Based on this circular letter, capital cost with operational risk is 15% of the average gross income over the last three years.

Quantitative disclosure of operational risks in the Bank as an individual party and as a consolidated entity is presented in the following tables.

8.1.a. Quantitative Exposure of Operational Risks- Bank Stand Alone

(in million rupiah)

No.	Approach Methodology	31 December 2013			31 December 2012		
		Gross Revenue (in average for the last 3 years)	Capital Charge	RWA	Gross Revenue (in average for the last 3 years)	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Basic Indicator Approach	10,810,233	1,621,535	20,269,187	9,568,397	1,435,260	17,940,744
	Total	10,810,233	1,621,535	20,269,187	9,568,397	1,435,260	17,940,744

8.1.b. Quantitative Exposure of Operational Risks - Consolidated

(in million rupiah)

No.	Approach Methodology	31 December 2013			31 December 2012		
		Gross Revenue (in average for the last 3 years)	Capital Charge	RWA	Gross Revenue (in average for the last 3 years)	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Basic Indicator Approach	15,253,439	2,288,016	28,600,198	13,177,282	1,976,592	24,707,404
	Total	15,253,439	2,288,016	28,600,198	13,177,282	1,976,592	24,707,404

Business Continuity Management (BCM)

BCM is an integrated and comprehensive management process (protocol) to ensure the Bank's continuity of operations in conducting its business and in serving the customers, as well as to ensure the Bank's existence. BCM was created as the Bank's preventive measures in the events of worst risk scenario that could affect the Bank's operational sustainability, and it also provides a framework to develop resilience and the ability to effectively respond in order to safeguard the stakeholders' interests, reputation, brand, and the valuable business activities. This demonstrates Danamon's robustness and immune system, which is reflected in its daily work process in response to any threats.

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As an integral part of the Risk Management framework, daily operations and to maintain the Bank's existence and to improve the resilience of the Bank and its subsidiaries, an effective implementation of BCM is vital for the Bank in anticipating all risks that may arise from any condition of any scenario of events, including from risks classified as low probability - high impact (catastrophic event). BCM's program and framework is made to be effectively applied across the Bank to its subsidiaries.

The objectives of the BCM implementation in Danamon are to:

1. Ensure a timely resumption of process continuity of all functions/units in the event of crisis or major disaster;
2. Maintain the key business resources required to support Bank's recovery activities;
3. Minimize impact to Bank's services;
4. Mitigate reputational risk;
5. Promote the public's and macro financial system's confidence towards the Bank;
6. Improve the Bank's resilience or recovery capacity, and
7. Safeguard Danamon's and Subsidiaries' existence.

The implementation of BCM-related programs in Danamon involves and is fully supported by the entire management from its planning, preparation, maintenance, supervision, to improvement stage. With this solid support, Danamon has been able to protect and refine its sustainability in handling all incidents throughout 2013.

BCM in Danamon is managed in reference to policy and framework adopted from international standard best practices from Business Continuity Institute – United Kingdom (BCIUK) supported by reputable and international certified competent professionals in BCM matter. This has been proven and internationally acclaimed with Danamon's ISO 22301:2012-BCMS certification, an international recognition for an institution that promotes the principles of continuous improvement and for the application of Business Continuity Management System (BCMS), granted on July 2, 2013. With this achievement, Danamon is now the first company in Indonesia and the first banking company in Southeast Asia which has successfully implemented and certified with ISO 22301:2012-BCMS from the British Standard Institution (BSI) Group.

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“Certificate ISO BCMS Handover from BSI Group to Danamon”

This international ISO 22301:2012-BCMS certification was the first time for Danamon after going through an audit process by the BSI Group, one of the leading certification bodies in the world with operational coverage of 120 countries. The audit mechanism is conducted with the quality compliance approach required for the ISO 22301:2012-BCMS, which includes regulatory compliance, products and services, management commitment, and other support functions supporting Danamon's business sustainability.

As a medium for learning and experience sharing on the implementation of BCM in the industry, Danamon initiated the BCM Forum in 2009, which was later formed into Forum BCM Indonesia chaired by Danamon. This 2013

marks the 7th BCM Forum with more than 45 institutions (from bank and other industries) and 75 professional members of BCM. By requests of members who have gained benefits from the forum, the event is now held 2 times a year.

Fraud & QA

Fraud risk affects the Bank's business and holds a significant financial impact on the Bank's profit. It can also affect the Bank's reputation. Effective fraud management is crucial to mitigate and manage risks arise from fraud.

To anticipate the possibility of Fraud risks caused by Bank's internal or external employees, the Bank has established anti fraud framework strategy of "Fraud Management Policy and Framework" which has been nationally implemented. This framework is in line with the Bank Indonesia Circular Letter No. 13/28/DPNP on the Implementation of

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Anti-Fraud Strategy for Commercial Banks and it also has been reported to Bank Indonesia every semester. In implementing the policy, the Bank made efforts to continually increase the effectiveness of internal control, active monitoring from the management, development of anti fraud culture and awareness towards all levels in the Bank's organization.

The implementation of the Bank's anti-fraud strategy in the form of bank fraud control system is described by 4 (four) pillars of interrelated fraud control strategies, as follows:

1. Prevention;
2. Detection;
3. Investigation, reporting and sanction, and
4. Monitoring, evaluation and follow-up

The application of the above strategies have been conducted by the Bank to prevent, detect and manage fraud risks, including the improvement of policies related to fraud risks management such as: Fraud Management Policy & Framework, policy on sanctions, policy on internal control and others, the development of internal control procedures in the units in managing fraud risk, anti-fraud awareness campaign, anti-fraud awareness as well as training and workshop to develop an anti-fraud culture to increase competence and integrity for fraud management unit, conduct identification & detection strategy of fraud risk, fraud database development for the benefit of the Bank and a variety of strategies to prevent and detect fraud incident within the Bank.



Fraud can impact any part of an institutions, hence we need to remain vigilant and put greater emphasis over internal control and risk management

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Danamon also emphasizes the importance of preventative control and early detection mechanisms over risk exposures through the empowerment of the Quality Assurance function. This function is taking bank-wide coordination roles in the efforts to strengthen system of internal controls in each line of businesses and support functions.

Several initiatives that are taken to meet the objectives are: issuing the National Quality Assurance Policy, standardization of QA/ Internal Control methodology in reference to industry common practices (COSO), distribution on quantitative measurement on bank-wide control effectiveness, implementation of Maturity Model Unit QA, and cross-validations with other control measurement mechanism such as: Internal Audit & Operational Risk Management. The other function of Quality Assurance is also to conduct root cause analysis and focusing on the necessary improvement plans.

D. LIQUIDITY RISK

Bank is exposed of liquidity risks on various business aspects. Liquidity risk can arise from the assets and liabilities owned by the Bank. Liquidity risk management is one of the most important activities carried by the Bank. Liquidity risk is a risk where the Bank is unable to fund the increase in assets and settle the liabilities on the maturity date without experiencing unacceptable losses.

In addition, transaction in off-balance sheet instruments can also create liquidity risks for the bank. Therefore, in managing liquidity risks, Danamon:

1. Considers characteristics and different sources of liquidity risks.

2. Determine appropriate funding strategies (including variations of funding sources) to meet the liquidity needs.
3. Implements cost-effective strategies.

Liquidity risk is the Bank's main object and therefore the implementation of Liquidity Risk Management shall be carried out sustainably.

Liquidity Risk Management Organization

The management of liquidity risk is a top-down process, which begins with Risk Monitoring Committee (RMC), Board of Directors through Assets and Liabilities Committee (ALCO) and senior management, which actively involved in the planning, ratifications, review and study of all existing risks.

In order to evaluate the fulfillment of liquidity, Assets and Liabilities Committee ("ALCO") has vast coverage of authority, which delegated by the Board of Directors to manage assets structures and obligations and Bank funding strategies. ALCO focuses on the liquidity management for the purposes of:

- To understand better various liquidity risks and integrate characteristics and risks of various liquidity sources mainly on stress conditions
- To develop comprehensive risk approach to ensure the compliance with the entire risk appetite.
- To determine relevant funding strategies to fulfill the need of liquidity (including in such is a combination of few funding sources).

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- To develop effective contingency plans.
- To increase resilience in a sharp decline of liquidity risk and demonstrate Bank's ability to cope with closure conditions on one or more financial markets by ensuring that funding can be raised through variety of funding sources.
- ALCO as the bank senior management committee serves as the highest body assigned to oversee and evaluate the structure and trends of the balance sheet in terms of liquidity, interest rate, and capital management. This includes the establishment of policies and procedures, the determination of limit framework, and evaluation of strategies on balance sheet with the aim of providing adequate liquidity and capital for the Bank and diversified funding structure.

Liquidity Risk Indicator

To study whether a potential liquidity problem may be growing, the Bank has a various range of internal indicators and market indicators which can warn the Bank over the threat of a liquidity crisis.

Including in the internal indicators are:

1. Impairment of asset quality
2. Excessive concentration on specific assets and sources of funding
3. The decrease in income and interest rate margin
4. The increase in overall funding costs
5. The quick increase of assets through unstable wholesale funding.
6. The decrease in cash flow position indicated by the widening of negative position on maturity disparity especially in the short term.

Market indicators include:

1. Credit rating downgrade.
2. Ongoing decline of Bank stock prices.
3. Widening spread on senior loans and subordinated loans of banks.
4. The decrease of credit lines from connected banks.
5. Unwillingness of partners to extend transactions without guarantee or transactions with a longer period of time.
6. Increasing trend of Bank's deposit withdrawal.
7. External financial crisis.
8. Prolonged tight liquidity conditions.

Liquidity Risk Measurement

Some of the examples of liquidity risks measurement can be explained as follows:

- a. Maximum Cumulative Outflow (MCO)
MCO on maturity bucket refers to maximum net cumulative cash flows that arise from the on and off balance sheet.

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b. Loan to Deposit Ratio (LDR) & Modified Loan to Deposit Ratio (MLDR)

Loan to Deposit Ratio is defined as the target ratio of customer's total loans to total fund of the third party (not including interbank loans). Third party funds include current accounts, savings and deposit. This ratio is used by the Bank to monitor dependence on customers' savings compared to non-bank savings.

Modified LDR is defined as the target ratio of customer's total loans to total fund of the third party by including all structural funding. MLDR reflects the actual liquidity position of the Bank as it combines all sources and uses of funds.

c. Large Fund Provider

From the perspective of liquidity risks, it is very important not to rely on few large customers to fulfill the Bank's funding needs.

d. Liquidity Stress Test

Limit framework above manages Bank liquidity situation based on the normal condition of business situations however, it is important to measure the impact and prepare for the action if there is a possibility of stress event. For this case, the Bank distinguishes two stress events: Name Problem and Systemic Problem.

Liquidity Risk Monitoring and Mitigation

Bank manages the liquidity risks through liquidity gap analysis and liquidity ratio. Liquidity risk is measured and monitored on a daily basis pursuant to liquidity risk framework. Methodology of maximum cumulative outflow (MCO) which includes customers' behavior in various business conditions is a primary measurement used in liquidity risk management in tolerance risk, whereas the target and indicator measurement complement the MCO measurement.

Target and indicator consist of ratio and balance sheet analysis, which provides an overview in many levels of liquidity profiles. Bank uses a variety of targets and indicators including LDR, MLDR, professional funding, and ratio of the 20 largest fund providers to the third party's funds. Studies of stress conditions conducted periodically to ensure the availability of funds at the time of stress condition occurs.

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9.1.a Disclosure of Maturity Profile for Rupiah - Bank Stand Alone

(in million rupiah)

No.	Items	31 December 2013					
		Balance	Maturity				
(1)	(2)	(3)	≤ 1 month (4)	> 1 to 3 months (5)	> 3 to 6 months (6)	> 6 to 12 months (7)	>12 months (8)
I BALANCE SHEET							
A. Assets							
1. Cash		2,704,592	2,704,592	-	-	-	-
2. Placement in Bank Indonesia		13,893,349	10,852,735	347,098	680,797	2,012,719	-
3. Placement in other banks		3,022,445	1,049,912	141,412	158,943	248,780	1,423,398
4. Securities		6,947,335	49,984	284,906	168,712	1,182,297	5,261,436
5. Loans		92,231,950	11,042,598	11,586,649	9,025,530	12,683,991	47,893,182
6. Other Receivables		122,472	65,442	-	-	-	57,030
7. Others		795,494	40,378	19,072	5,243	-	730,801
Total Assets		119,717,637	25,805,641	12,379,137	10,039,225	16,127,787	55,365,847
B. Liabilities							
1. Third Party Fund		86,796,521	12,597,904	7,619,767	7,096,767	11,738,843	47,743,240
2. Liabilities to Bank Indonesia		-	-	-	-	-	-
3. Liabilities to other banks		2,334,378	1,758,693	16,415	108,569	60,701	390,000
4. Securities issued		528,968	-	-	-	-	528,968
5. Borrowings		-	-	-	-	-	-
6. Other Liabilities		1,160,077	17,282	-	4,872	49,459	1,088,464
7. Others		2,294,175	30,552	-	-	-	2,263,623
Total Liabilities		93,114,119	14,404,431	7,636,182	7,210,208	11,849,003	52,014,295
Net Assets (Liabilities)		26,603,518	11,401,210	4,742,955	2,829,017	4,278,784	3,351,552
II OFF-BALANCE SHEET							
A. Off-Balance Sheet Receivables							
1. Commitments		-	-	-	-	-	-
2. Contingencies		-	-	-	-	-	-
Total Off-Balance Sheet Receivables		-	-	-	-	-	-
B. Off-Balance Sheet Liabilities							
1. Commitments		651,168	117,290	234,947	22,233	139,768	136,930
2. Contingencies		2,764,076	582,544	451,580	728,994	939,323	61,635
Total Off-Balance Sheet Liabilities		3,415,244	699,834	686,527	751,227	1,079,091	198,565
Net Off-Balance Sheet Receivables (Liabilities)		(3,415,244)	(699,834)	(686,527)	(751,227)	(1,079,091)	(198,565)
Net[(IA-IB)+(IIA-IIB)]		23,188,274	10,701,376	4,056,428	2,077,790	3,199,693	3,152,987
Cumulative Differences		23,188,274	10,701,376	14,757,804	16,835,594	20,035,287	23,188,274

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	31 December 2012					
	Balance	≤ 1 month	> 1 to 3 months	Maturity		
				> 3 to 6 months	> 6 to 12 months	>12 months
	(9)	(10)	(11)	(12)	(13)	(14)
	2,046,937	2,046,937	-	-	-	-
	12,277,056	7,759,068	3,056,134	1,461,854	-	-
	2,852,624	1,207,365	279,592	97,025	245,173	1,023,469
	5,571,168	42,246	130,859	90,371	245,918	5,061,774
	82,225,711	7,675,973	9,207,554	9,029,372	13,116,096	43,196,716
	1,018,937	399,663	485,435	766	1,213	131,860
	1,707,819	39,651	12,735	9,189	-	1,646,244
	107,700,252	19,170,903	13,172,309	10,688,577	13,608,400	51,060,063
	79,807,477	11,393,460	6,717,373	4,824,031	8,747,365	48,125,248
	193	-	-	193	-	-
	3,504,927	2,652,507	95,348	12,368	13,992	730,712
	2,063,132	-	-	-	-	2,063,132
	220,980	-	-	-	220,980	-
	1,057,976	20,851	2	13,161	41,970	981,992
	2,020,098	24,702	4,597	1,328	-	1,989,471
	88,674,783	14,091,520	6,817,320	4,851,081	9,024,307	53,890,555
	19,025,469	5,079,383	6,354,989	5,837,496	4,584,093	(2,830,492)
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	564,450	53,541	302,223	47,532	5,484	155,671
	2,351,784	254,000	535,471	546,031	910,813	105,468
	2,916,234	307,541	837,694	593,563	916,297	261,139
	(2,916,234)	(307,541)	(837,694)	(593,563)	(916,297)	(261,139)
	16,109,235	4,771,842	5,517,295	5,243,933	3,667,796	(3,091,631)
	16,109,235	4,771,842	10,289,137	15,533,070	19,200,866	16,109,235

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9.1.b Disclosure of Maturity Profile for Rupiah - Bank Stand Alone

(in million rupiah)

No.	Items	31 December 2013					
		Balance	Maturity				
(1)	(2)	(3)	≤ 1 month (4)	> 1 to 3 months (5)	> 3 to 6 months (6)	> 6 to 12 months (7)	>12 months (8)
I BALANCE SHEET							
A. Assets							
1. Cash		2,823,269	2,823,269	-	-	-	-
2. Placement in Bank Indonesia		13,893,349	10,852,735	347,098	680,797	2,012,719	-
3. Placement in other banks		3,258,424	1,285,891	141,412	158,943	248,780	1,423,398
4. Securities		6,911,489	49,984	284,906	168,712	1,182,297	5,225,590
5. Loans		120,323,550	11,110,427	11,768,984	9,714,689	15,447,037	72,282,413
6. Other Receivables		1,639,814	72,159	1,014	4,689	13,228	1,548,724
7. Others		980,276	146,395	44,384	5,742	1,026	782,729
Total Assets		149,830,171	26,340,860	12,587,798	10,733,572	18,905,087	81,262,854
B. Liabilities							
1. Third Party Fund		85,743,826	11,545,209	7,619,767	7,096,767	11,738,843	47,743,240
2. Liabilities to Bank Indonesia		-	-	-	-	-	-
3. Liabilities to other banks		2,334,378	1,758,693	16,415	108,569	60,701	390,000
4. Securities issued		11,856,524	-	504,661	766,627	2,055,683	8,529,553
5. Borrowings		7,797,780	2,300,000	925,000	1,889,410	1,025,211	1,658,159
6. Other Liabilities		1,183,207	35,137	735	4,932	50,051	1,092,352
7. Others		4,349,424	1,231,977	439,728	116,187	33,435	2,528,097
Total Liabilities		113,265,139	16,871,016	9,506,306	9,982,492	14,963,924	61,941,401
Net Assets (Liabilities)		36,565,032	9,469,844	3,081,492	751,080	3,941,163	19,321,453
II OFF-BALANCE SHEET							
A. Off-Balance Sheet Receivables							
1. Commitments		-	-	-	-	-	-
2. Contingencies		-	-	-	-	-	-
Total Off-Balance Sheet Receivables		-	-	-	-	-	-
B. Off-Balance Sheet Liabilities							
1. Commitments		651,168	117,290	234,947	22,233	139,768	136,930
2. Contingencies		2,764,076	582,544	451,580	728,994	939,323	61,635
Total Off-Balance Sheet Liabilities		3,415,244	699,834	686,527	751,227	1,079,091	198,565
Net Off-Balance Sheet Receivables (Liabilities)		(3,415,244)	(699,834)	(686,527)	(751,227)	(1,079,091)	(198,565)
Net[(IA-IB)+(IIA-IIB)]		33,149,788	8,770,010	2,394,965	(147)	2,862,072	19,122,888
Cumulative Differences		33,149,788	8,770,010	11,164,975	11,164,828	14,026,900	33,149,788

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

	31 December 2012					
	Balance	≤ 1 month	Maturity			>12 months
			> 1 to 3 months	> 3 to 6 months	> 6 to 12 months	
	(9)	(10)	(11)	(12)	(13)	(14)
	2,315,389	2,315,389	-	-	-	-
	12,277,057	7,759,069	3,056,134	1,461,854	-	-
	3,190,884	1,545,625	279,592	97,025	245,173	1,023,469
	5,530,793	42,246	130,859	90,371	205,543	5,061,774
	105,289,639	7,702,526	9,313,814	9,546,931	15,041,277	63,685,091
	1,288,807	412,194	487,901	14,727	13,663	360,322
	1,926,088	107,152	23,269	9,542	317	1,785,808
	131,818,657	19,884,201	13,291,569	11,220,450	15,505,973	71,916,464
	77,833,458	9,419,441	6,717,373	4,824,031	8,747,365	48,125,248
	193	-	-	193	-	-
	3,504,927	2,652,507	95,348	12,368	13,992	730,712
	11,824,703	-	-	1,721,684	1,143,079	8,959,940
	6,438,690	1,000,000	1,749,776	1,125,000	220,980	2,342,934
	1,112,851	58,641	14,140	15,484	42,396	982,190
	4,183,456	1,367,920	440,131	142,427	34,860	2,198,118
	104,898,278	14,498,509	9,016,768	7,841,187	10,202,672	63,339,142
	26,920,379	5,385,692	4,274,801	3,379,263	5,303,301	8,577,322
	-	-	-	-	-	-
	-	-	-	-	-	-
	564,450	53,540	302,223	47,532	5,484	155,671
	2,351,784	254,001	535,471	546,031	910,813	105,468
	2,916,234	307,541	837,694	593,563	916,297	261,139
	(2,916,234)	(307,541)	(837,694)	(593,563)	(916,297)	(261,139)
	24,004,145	5,078,151	3,437,107	2,785,700	4,387,004	8,316,183
	24,004,145	5,078,151	8,515,258	11,300,958	15,687,962	24,004,145

Risk Management

9.2.a Disclosure of Maturity Profile for Foreign Currency- Bank Stand Alone

(in million rupiah)

No.	Items	31 December 2013					
		Balance	Maturity				
(1)	(2)	(3)	≤ 1 month	> 1 to 3 months	> 3 to 6 months	> 6 to 12 months	>12 months
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I BALANCE SHEET							
A. Assets							
1. Cash		120,490	120,490	-	-	-	-
2. Placement in Bank Indonesia		2,518,339	2,518,339	-	-	-	-
3. Placement in other banks		6,618,857	6,203,728	269,913	39,152	48,456	57,608
4. Securities		636,502	88,389	37,882	133,534	-	376,697
5. Loans		12,625,701	1,644,049	5,120,953	916,638	1,079,828	3,864,233
6. Other Receivables		4,080,231	330	4,040,656	59	-	39,186
7. Others		51,404	842	781	4,532	-	45,249
Total Assets		26,651,524	10,576,167	9,470,185	1,093,915	1,128,284	4,382,973
B. Liabilities							
1. Third Party Fund		23,500,503	4,592,110	3,322,432	3,539,036	5,500,536	6,546,389
2. Liabilities to Bank Indonesia		-	-	-	-	-	-
3. Liabilities to other banks		8,031,594	1,088	7,054,320	51,028	316,575	608,583
4. Securities issued		5	5	-	-	-	-
5. Borrowings		899,713	-	-	-	-	899,713
6. Other Liabilities		21,024	5,070	4,277	48	1,104	10,525
7. Others		152,096	762	13,249	2,464	996	134,625
Total Liabilities		32,604,935	4,599,035	10,394,278	3,592,576	5,819,211	8,199,835
Net Assets (Liabilities)		(5,953,411)	5,977,132	(924,093)	(2,498,661)	(4,690,927)	(3,816,862)
II OFF-BALANCE SHEET							
A. Off-Balance Sheet Receivables							
1. Commitments		8,927,052	2,050,331	3,107,220	1,139,389	1,718,173	911,939
2. Contingencies		85,908	-	-	-	85,908	-
Total Off-Balance Sheet Receivables		9,012,960	2,050,331	3,107,220	1,139,389	1,804,081	911,939
B. Off-Balance Sheet Liabilities							
1. Commitments		5,362,510	1,246,245	1,107,892	1,013,556	1,199,877	794,940
2. Contingencies		588,718	27,058	97,044	209,125	238,042	17,449
Total Off-Balance Sheet Liabilities		5,951,228	1,273,303	1,204,936	1,222,681	1,437,919	812,389
Net Off-Balance Sheet Receivables (Liabilities)		3,061,732	777,028	1,902,284	(83,292)	366,162	99,550
Net[(IA-IB)+(IIA-IIB)]		(2,891,679)	6,754,160	978,191	(2,581,953)	(4,324,765)	(3,717,312)
Cumulative Differences		(2,891,679)	6,754,160	7,732,351	5,150,398	825,633	(2,891,679)

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

	31 December 2012					
	Balance	≤ 1 month	> 1 to 3 months	Maturity		>12 months
				> 3 to 6 months	> 6 to 12 months	
	(9)	(10)	(11)	(12)	(13)	(14)
	141,031	141,031	-	-	-	-
	1,277,382	1,277,382	-	-	-	-
	4,638,229	4,621,005	17,224	-	-	-
	83,872	40,113	-	-	-	43,759
	10,217,818	2,722,851	1,438,094	1,290,590	897,690	3,868,593
	1,772,406	434,399	856,090	324,363	22,149	135,405
	55,722	7,366	273	381	-	47,702
	18,186,460	9,244,147	2,311,681	1,615,334	919,839	4,095,459
	12,110,099	2,039,722	1,347,962	1,273,987	2,478,771	4,969,657
	-	-	-	-	-	-
	4,335,462	2,864,957	352,841	560,927	2,053	554,684
	104	104	-	-	-	-
	57,825	50,000	-	-	7,825	-
	313,019	7,163	291,246	3	-	14,607
	123,217	7,212	5,334	-	51	110,620
	16,939,726	4,969,158	1,997,383	1,834,917	2,488,700	5,649,568
	1,246,734	4,274,989	314,298	(219,583)	(1,568,861)	(1,554,109)
	2,747,361	678,602	456,577	200,310	859,986	551,886
	82,401	24,094	-	-	-	58,307
	2,829,762	702,696	456,577	200,310	859,986	610,193
	4,372,561	999,011	1,567,059	307,865	410,536	1,088,090
	353,055	40,665	90,309	107,040	108,500	6,541
	4,725,616	1,039,676	1,657,368	414,905	519,036	1,094,631
	(1,895,854)	(336,980)	(1,200,791)	(214,595)	340,950	(484,438)
	(649,120)	3,938,009	(886,493)	(434,178)	(1,227,911)	(2,038,547)
	(649,120)	3,938,009	3,051,516	2,617,338	1,389,427	(649,120)

Risk Management

9.2.b Disclosure of Maturity Profile for Foreign Currency- Consolidated
 (in million rupiah)

No.	Items	31 December 2013					
		Balance	Maturity				
(1)	(2)	(3)	≤ 1 month (4)	> 1 to 3 months (5)	> 3 to 6 months (6)	> 6 to 12 months (7)	>12 months (8)
I BALANCE SHEET							
A. Assets							
1. Cash		120,490	120,490	-	-	-	-
2. Placement in Bank Indonesia		2,518,339	2,518,339	-	-	-	-
3. Placement in other banks		6,622,449	6,207,320	269,913	39,152	48,456	57,608
4. Securities		636,502	88,389	37,882	133,534	-	376,697
5. Loans		12,625,701	1,644,049	5,120,953	916,638	1,079,828	3,864,233
6. Other Receivables		4,514,748	64,272	4,072,740	240,874	85,584	51,278
7. Others		51,404	842	781	4,532	-	45,249
Total Assets		27,089,633	10,643,701	9,502,269	1,334,730	1,213,868	4,395,065
B. Liabilities							
1. Third Party Fund		23,500,391	4,591,998	3,322,432	3,539,036	5,500,536	6,546,389
2. Liabilities to Bank Indonesia		-	-	-	-	-	-
3. Liabilities to other banks		8,031,594	1,088	7,054,320	51,028	316,575	608,583
4. Securities issued		5	5	-	-	-	-
5. Borrowings		4,353,844	486,792	243,395	1,216,947	562,777	1,843,933
6. Other Liabilities		21,024	5,070	4,277	48	1,104	10,525
7. Others		208,046	16,346	47,438	8,641	996	134,625
Total Liabilities		36,114,904	5,101,299	10,671,862	4,815,700	6,381,988	9,144,055
Net Assets (Liabilities)		(9,025,271)	5,542,402	(1,169,593)	(3,480,970)	(5,168,120)	(4,748,990)
II OFF-BALANCE SHEET							
A. Off-Balance Sheet Receivables							
1. Commitments		8,927,052	2,050,331	3,107,220	1,139,389	1,718,173	911,939
2. Contingencies		85,908	-	-	-	85,908	-
Total Off-Balance Sheet Receivables		9,012,960	2,050,331	3,107,220	1,139,389	1,804,081	911,939
B. Off-Balance Sheet Liabilities							
1. Commitments		5,362,510	1,246,245	1,107,892	1,013,556	1,199,877	794,940
2. Contingencies		588,718	27,058	97,044	209,125	238,042	17,449
Total Off-Balance Sheet Liabilities		5,951,228	1,273,303	1,204,936	1,222,681	1,437,919	812,389
Net Off-Balance Sheet Receivables (Liabilities)		3,061,732	777,028	1,902,284	(83,292)	366,162	99,550
Net[(IA-IB)+(IIA-IIIB)]		(5,963,539)	6,319,430	732,691	(3,564,262)	(4,801,958)	(4,649,440)
Cumulative Differences		(5,963,539)	6,319,430	7,052,121	3,487,859	(1,314,099)	(5,963,539)

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

	31 December 2012					
	Balance	≤ 1 month	Maturity			>12 months
			> 1 to 3 months	> 3 to 6 months	> 6 to 12 months	
	(9)	(10)	(11)	(12)	(13)	(14)
	141,031	141,031	-	-	-	-
	1,286,531	1,286,531	-	-	-	-
	4,638,229	4,621,005	17,224	-	-	-
	83,872	40,113	-	-	-	43,759
	10,217,818	2,722,851	1,438,094	1,290,590	897,690	3,868,593
	1,772,406	434,399	856,090	324,363	22,149	135,405
	55,722	7,366	273	381	-	47,702
	18,195,609	9,253,296	2,311,681	1,615,334	919,839	4,095,459
	12,110,100	2,039,723	1,347,962	1,273,987	2,478,771	4,969,657
	-	-	-	-	-	-
	4,335,461	2,864,956	352,841	560,927	2,053	554,684
	104	104	-	-	-	-
	2,125,872	50,000	963,750	963,750	7,825	140,547
	313,019	7,163	291,246	3	-	14,607
	152,369	7,212	30,971	3,515	51	110,620
	19,036,925	4,969,158	2,986,770	2,802,182	2,488,700	5,790,115
	(841,316)	4,284,138	(675,089)	(1,186,848)	(1,568,861)	(1,694,656)
	2,747,361	678,602	456,577	200,310	859,986	551,886
	82,401	24,094	-	-	-	58,307
	2,829,762	702,696	456,577	200,310	859,986	610,193
	4,372,561	999,011	1,567,059	307,865	410,536	1,088,090
	353,055	40,665	90,309	107,040	108,500	6,541
	4,725,616	1,039,676	1,657,368	414,905	519,036	1,094,631
	(1,895,854)	(336,980)	(1,200,791)	(214,595)	340,950	(484,438)
	(2,737,170)	3,947,158	(1,875,880)	(1,401,443)	(1,227,911)	(2,179,094)
	(2,737,170)	3,947,158	2,071,278	669,835	(558,076)	(2,737,170)

Risk Management

E. LEGAL RISK

Legal risk is a risk arising from lawsuit (taken either by the internal or external party) and/or the weakness of juridical aspect (the absence of legal documents and regulations or weaknesses in the legal binding documents). In the risk management framework and in accordance with the prevailing regulations, legal risk is one of important legal aspects that essentially aim to anticipate risks that will occur in the future.

Along with the increasing scope of Danamon's business and dynamic product development influenced by many factors, the level of legal risk needs to be properly managed.

In principle, the main purpose of the application of legal risk management is to ensure that the risk management process can minimize the possibility of negative impact of juridical weakness, the absence and/or amendments of legislations and litigation processes over the activities of Danamon and its Subsidiaries.

Danamon's Legal Risk Management Organization

Legal risk in Danamon is managed by a team coordinated by the Legal Division and chaired by General Legal Counsel. In the implementation of such legal risk, Legal Risk Management Team in Legal Division cooperates with relevant working unit namely: Litigation Unit and Danamon Access Center.

Meanwhile, related to consolidated Danamon Legal Risk management, legal risk management team cooperates with legal risk management team in PT Adira Dinamika Multi Finance Tbk and PT Adira Quantum Multifinance.

Legal Risk Management Policy and Procedure

The Bank has Legal Handbook/Legal Manual and Standard Operating Procedures (SOP) of Legal Assistance which is evaluated regularly according to the development of Danamon's external/internal and the amendment of prevailing laws and regulations and has been adapted to the regulations of Bank Indonesia in line with the risk management.

Legal Handbook/Legal Manual and SOP of Legal Assistance can be accessed through the portal and used by all working units of Danamon.

Legal Risk Management and Control Mechanism

Legal Risk Management is done through a process of identification, measurement, monitoring, and risk control as well as information management system. In the identification process, all business lines, support functions, as well as the Bank's subsidiaries need to identify and analyze the factors that can lead to the occurrence of legal risk in business lines, products, processes and information technology which has impact on Bank's financial position reputation. Identification of risk also includes legal risk assessment arising from operating activities/products/agreements and inherent risks.

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

In assessing inherent risk over legal risk, the parameters/indicators used are:

1. Litigation factor
2. Weaknesses of Binding Commitment
3. Weaknesses of Legal Undertaking

In relation to implementation of legal risk management, Danamon has implemented several things namely:

- Implementation of legal risk by Danamon Senior Management (especially legal cases);
- Realization of “Legal Policy & Documentation” and SOP of legal risk management, as mentioned above, which among others regulate the identification and mapping of legal risks including the mitigations, and matrix parameters, for the inherent risk and quality of legal risk management implementation;
- The establishment of working unit designated by the management to monitor and manage the inherent legal risk in a product and Danamon’s activity and its subsidiary so that the possibility of existing legal risk does widely impact and become a trigger of other risk.

The implementation of legal risk management process that is comprehensive with the presence of monitoring over the legal risk is targeted to be consistently running with active participation of all concerned parties. Through the joint endeavors, with Legal and Litigation Division as the division in charge, the existing risk is expected not to exceed the risk appetite pre-determined by Danamon management, and the existing legal cases decreases.

To assure the improvement of legal risk management quality, Danamon has regularly given legal training/socialization to the employees.

F. STRATEGIC RISK

The management of strategic risk is intended to address a variety of risks caused by the establishment and implementation of inadequate strategies.

Strategic risk can originate from among others weakness or inaccuracy of strategic formulations, or failure to anticipate the changes of business environment.

Strategic Risk Management Organization

Strategic risk working unit plays a role in managing strategic risk and is under the active supervision of Board of Commissioners and Board of Directors of the Bank. The Bank’s strategic risk working unit covers the entire Business Lines and Support Functions that work closely with financial working unit in analyzing and monitoring the strategic risk.

Strategic Risk Management

The implementation of strategic risk management is made through active supervision of Board of Commissioners and Board of Directors. In terms of strategic risk management, the Board of Commissioners is responsible to direct and approve business plans, including the Bank’s strategic plan. Meanwhile, the Board of Directors is responsible to:

- Formulate the Bank’s strategic business and strategic plans.
- Ensure that the strategic objectives set in line with the mission, vision, culture, business direction and risk tolerance of the Bank.

Risk Management

- Approve changes of strategic plans and periodically review the alignment of strategic plans.
- Ensure the managerial competence and system and control in the Bank are adequate to support the established strategic implementation.
- Monitor the development of internal and external conditions that affect the Bank's predetermined business strategy.
- Establish working unit/function that is responsible and authorized to formulate and oversee strategy implementation including business and strategic plans.
- Ensure that risk management for strategic risks has been implemented effectively and consistently.

Danamon manages strategic risk by monitoring inherent strategic risk and the quality of strategic risk management implementation. In assessing inherent strategic risk, the parameters are:

- The influence of external risk factors, including macroeconomic condition, regulation, technology, target customers, competition as well as Bank's position in the banking/finance industry.
- The influence of internal risk factors, including alignment of business strategy, business model and strategy focus, effective organizational structure, adequacy and human resources quality, technology, and operational efficiency.
- Monitoring the strategy implementation, including the results of strategy implementation, successful implementation of strategic projects, and influence of strategic decisions.

Furthermore, in assessing the quality of strategic risk management, the following factors are to be considered:

- Risk Governance, including risk preference, risk tolerance, and active supervision by Board of Commissioners and Board of Directors.
- Risk management framework, including the adequacy of organizational structure and organizational policy and procedure.
- The process of risk managements, human resources and management information systems, including the process of identification, measurement, management information systems and risk management, as well as the quantity and quality of human resources to support risk management.
- Risk control system, including the adequacy of internal control systems, and the adequacy of the review by an independent party in the Bank.

Inherent Strategic Risk

Danamon has managed the inherent strategic risk well. In essence, the Bank has a clear and well defined vision as well as good organizational culture that is in line with business structure and process. The Bank also has a clear, aligned, and measurable business strategy. This supports the Bank to keep in line with the strong and stable economic growth amid global economic uncertainty and a higher level of business competition.

Danamon anticipates the intense business competition by creating better service to attract new customers and maintain existing customers.

- Risk Management
- Human Resources
- Information Technology
- Operations

Risk Management

Danamon also understands that the macroeconomic condition can lead to strategic risk. Therefore, the Bank continues to monitor some indicators such as inflation rate, BI interest rate, and the changes in exchange rate of Rupiah. The Bank actively adapts some of its activities, such as lending, by anticipating the movement of macroeconomic movement. Danamon also seeks to improve operational cost efficiency.

Competition in customer service directly affects the competition between companies in acquiring qualified human resources. The high turnover of employees and the occurrence of vacant positions in divisions and subsidiaries, as well as an amount of employee performance management has become an important concern of the management. To that end, Danamon optimizes a recruitment system to support business requirements and to conduct analyses/employee evaluation to confirm the competence of human resources capability with business needs. Danamon also conducted a survey of employees to discover how to improve employee satisfaction and to prepare HR support (bench strength) for important positions.

Strategic Application of Quality Risk Management

Application of risk management has been implemented quite satisfactorily. However, the Bank continues to fine-tune the process. Formulation of an acceptable level of risk (risk appetite) is quite adequate in terms of limits, policy and procedure of processes with risks. Risk managers in their respective divisions and subsidiaries have also been positioned to support the implementation of a business strategy determined by senior management.

Danamon also continues to monitor various elements of relevant strategic risk and continually updates its mitigation action plan in response to changes in the Bank's risk situation.

G. COMPLIANCE RISK

Compliance risk may arise from bank's activities which do not meet the requirements or regulations or generally prevailing laws and regulations. Effective management of Compliance Risk is very essential to minimize the impact of the risk as quickly as possible. To that end, a comprehensive study was conducted on applied aspects of adherence to policies/products/systems at the Bank. Compliance Risk Management is also conducted in the Bank's compliance risk on an individual basis, and compliance risk of the Bank on a consolidated basis with its Subsidiaries.

Compliance Risk Management Organization

The management of compliance risk is supported by an adequate governance structure, including the Board of Commissioners, a Risk Monitoring Committee, the Board of Directors, a Compliance Committee and Compliance Working Unit, Senior Management, Business Units and other supporting units.

The implementation of compliance risk is managed by Danamon's compliance function as one of the components in Integrated Risk Management Bank and Control Framework. To ensure effectiveness of compliance risk management in all Bank's activities, compliance risk management becomes a responsibility shared across Bank's organizational lines.

The Board of Commissioners, through the Risk Monitoring Committee, is responsible for overseeing the function of Bank Compliance, including assurance that risks have been monitored and managed properly.

Risk Management

The Board of Directors plays an instrumental role in growing and realizing the Compliance Culture at all levels of the organization and making it a core aspect of Danamon business activity. To support the execution of its duties and responsibilities, the Board of Directors, supported by the Compliance Committee, evaluates and reviews the execution of Bank Compliance matters or activities, which has the potential in compliance risk. The Compliance Committee is chaired by the Director of Compliance.

The Compliance Director exercises duties and responsibilities in formulating strategies to encourage a culture of compliance, establish policy, systems, and procedures of compliance, ensuring the compliance fits the Bank's activity, minimizes compliance risk and prevents any decisions of management that might run the risk of non-compliance. The Director of Compliance thus plays an important role in the management of compliance risk.

The Compliance Working Unit is a working unit formed to support the implementation of the Compliance Director's duties and responsibilities. Compliance Working Unit is independent and free from any influence of any other working units. Compliance Working Unit is supported by experienced resources and has professional compliance competence covering all Danamon business activities, including Syariah business unit and its Subsidiaries. Compliance Working Unit has clear duties and responsibilities as it is regulated in Bank's Compliance Policy.

To support the Compliance Function, the Bank appoints a Business Unit Compliance Coordinator (BUCO) and Business Unit

Compliance Officer (BUFO) officials at business/branch working units, as officials in charge of planning, implementation and compliance monitoring with prevailing laws and regulations governing its working units. In a compliance risk management framework, the business/branch working unit is in the vanguard, which plays an important role in the management of the Bank's compliance risk.

Strategy & Effectiveness of Compliance Risk Management

Implementation of compliance risk is achieved through the process of identifying and measuring, monitoring and controlling of risk and a management information system. The process of risk identification and measurement of compliance is achieved through a review of the policy, provision of funds and collection of funds, as well as other Danamon activities, to detect any potential non-compliance with Bank Indonesia provisions, laws and regulations in force, prudential principles and standardized sound business ethics.

Compliance risk management is also carried out on matters that can increase the risk exposure of potential to either penalties or reputations. A business/branch working unit continuously manages compliance risk and participates in performing identification, control and mitigation of compliance risk in its activities.

The followings are among the efforts performed by the Compliance Unit to support the process of compliance risk management, among others:

- Use of a reminder system to ensure that commitment and reporting are implemented in accordance with deadlines.

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Risk Management

- Use of results of Compliance Regulatory Self Assessment (CRSA) done periodically as a basis to measure the level of compliance risk.
- Socialize regulations and provide regulation consultation to ensure that the Bank's activities are in line with prevailing laws and regulations.
- Develop e-learning programs containing modules of Bank Indonesia regulations.
- Provide a regulation database through the Bank's intranet system, updated regularly and accessible for all employees.

Commitment of all components to support the realization of compliance in Bank's organization that is consistent with the management of reliable compliance risks is expected to improve the effectiveness of compliance risk management and effect robust control of compliance risk.

Monitoring and Control Mechanism of Compliance Risk

Danamon conducts monitoring and control of compliance risk through compliance risk results, assessment results, compliance results of self assessment and commitment to Bank Indonesia, including the fulfillment of primary regulations of the Bank and its subsidiaries.

In compliance risk management, Integrated Risk Management coordinates periodically with the Internal Audit Unit. Integrated risk management and Internal Audit Unit ensure the adequacy of Bank's policy, and that procedure is in line with the provisions of Bank Indonesia and relevant external provisions, as well as their on-going implementation in the Bank.

Implementation of Regulatory Provisions

Danamon always strives to comply with provisions set by the Regulators; regulations issued during the year 2013 have been implemented, include those relating to Good Corporate Governance Implementation for Commercial Banks, Application of a Risk Management to Bank with Lending or Property Ownership Financing, Credit or Vehicle Financing, Calculation of Secondary Statutory Reserves and Statutory Reserves based on Loan to Deposit Ratio in Rupiah.

H. REPUTATION RISK

Reputation risk is defined as the risk associated with adverse negative perception toward which can be triggered from a variety of undesirable events; such as negative publicity, a violation of business ethics, customer complaints, governance weakness, and other events that may impaired the Bank's reputation.

Reputation Risk Management Organization

Danamon's reputation risk is managed by Corporate Secretary Unit coordinates with Risk Management Unit and cooperates with Public Affairs Unit, Customer Complaints Handling Unit, Compliance Unit, Financial Unit and other relevant units. Given its importance, reputation risk management through implemented in an integrated approach with full support from relevant working units that handle customer complaints, perform public relations functions, respond to negative publicity, and communicate necessary information to stakeholders.

Risk Management

Meanwhile, at the consolidated level, the reputation risk management team at Danamon PT Adira Dinamika Multi Finance, Tbk. and PT Adira Quantum Multi Finance, Tbk. work closely together to ensure proper and prudent execution.

Policy and Mechanism of Reputation Risk Management

The policy and mechanism of reputation risk management are aligned with regulations and focusing on inherent reputation risk management, such as:

1. Negative news related to the owner of Danamon and/or companies related to Danamon.
2. Violation of common practices of business ethics/norms.
3. The amount and significant level of customer's usage of Danamon's complex products and the amount and materiality of Danamon's cooperation with its business partners.
4. Frequency and materiality of negative publicity towards Danamon, including its officials.
5. Frequency and materiality of customer complaints.

Danamon strives to implement high standard of reputation risk management through continuous improvement of governance, policies and procedures utilization of better information systems and quality enhancement of resources.

Risk Management During Crisis Situation

Danamon has a separate policy and procedure that governs the handling of activities during crashes, and the management of reputation risk, during crisis follows the policy and procedure accordingly.

I. INVESTMENT RISK

Investment Risk (Equity Investment Risk) arises because the Bank also bears the loss of business of its financing customers, under a profit-loss sharing basis agreement. This risk arises from Bank's financing activities, using mudharabah and musyarakah contracts.

Financing based on a mudharabah contract takes the form of business cooperation between the Bank, which provides all the capital, and the customers, who act as fund managers, by sharing the profit of the business, based on the agreement realized in a contract, while the loss will be fully borne by the Bank unless the customers are proven to have committed willful misconduct, are negligent or violates the agreement.

- Risk Management
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Risk Management

Financing based on musyarakah contract takes the form of cooperation between the Bank and its customers for a certain business, in which each party invests certain portion of funds, under the provision that the profit will be shared based on an agreement while any loss will be borne by all parties, according to the respective fund portion.

Equity Investment Risk Organization and Policy

Equity investment risk organization and policy is the same as Credit Risk Organization, given both of the risks arise from financing activities.

UUS Danamon has a separate working unit that manages the process of financing, including setting criteria for customer acceptance, financing approvals, monitoring, management of non-performing financing and portfolio management. Financing in this context also includes financing under a profit-and-loss sharing basis. The independent risk control is the responsibility of the working unit of Integrated Risk.

UUS Danamon has a working unit assigned with duties and responsibilities to analyze actual reports compared against a business plan target. The Bank has adequate infrastructure to monitor performance and operation of a business financed by the Bank, as a partner.

Investment Mitigation Risk

To prevent any breach on the part of customers and as collateral for the Bank if customers should make an intentional/willful mistake, be negligent or violate an agreement, the Bank requests collateral from customers who are financing. Collateral type and collateral assessment follow prevailing collateral policy, applied in financing business in general.

J. RATE OF RETURN RISK

Rate of Return Risk is risk arising from changes of level of return rate paid by the Bank to a customer, as a result of changes in returns received by the Bank from the disbursements of funds, which can affect the behavior of funding a third-party customer of the Bank. Rate of Risk Management applies also to Syariah Business Unit (UUS) business. Process of Return of Risk Management refers to the provision established by Bank Indonesia.

Rate of Return Risk Organization

The Syariah Director, working through the Syariah Asset and Liabilities Committee (ALCO), is actively involved in funding planning and strategy. The establishment of a rate of return is reviewed periodically each month, in ALCO Syariah meetings, by considering comparative data in the Syariah Banking market.

Risk Management

RISK MANAGEMENT EFFECTIVENESS EVALUATION

In order to carry out a proper evaluation of the effectiveness of risk management, the Board of Commissioners and the Board of Directors actively supervise the implementation of risk management through committees related to risk management. To support the implementation of Syariah Board duties, the Risk Monitoring Committee monitors the implementation of strategies and risk management policies, risk exposures to be used as a basis for evaluating the accountability of the Board of Directors.

In order to obtain sufficient data and maintain an overview of the steps that have been taken in the management of risk, the Risk Monitoring Committee conducts a monthly meeting to discuss risk-related problems.

As a follow-up of Risk Monitoring Committee recommendations, the Risk Management Committee supervises the development of a risk strategy and policy, and evaluates significant risk issues. Based on the report of the Bank's risk profile, submitted quarterly, the Bank concludes that the effectiveness of risk management of the Bank and its subsidiaries should be rated at 2 (Low to Moderate).

In addition to evaluation of risk management and profiles, periodic evaluation/reviews are also conducted over the methodology of risk appraisal, adequacy of system implementation, management information system, and accuracy of policies, procedures, and limits. Based on the results of the review process, Danamon will conduct a periodic Meeting Portfolio to evaluate the condition of its risk portfolio against the Bank and its subsidiaries.

RISK MANAGEMENT ACTIVITIES PLAN IN 2014

As described in the "2014 Economy Outlook" section, Indonesia's economy in the year 2014 is predicted to still be in recovery. The following are some of the challenges projected for 2014:

- Rupiah Exchange Rate against USD remains weak, threatening risk towards USD-denominated credit portfolios.
- Inflation remains high, and therefore the benchmark interest rate (BI rate) will also remain high and will result in a steep interest rate for customers.
- It is possible that new, more stringent policies will be issued in response to the unfavorable economy.
- Risk of increasing operating costs.
- The commencement of Basel III provisions, which will gradually have an impact on the increase of capital.

To anticipate these external conditions in 2014, Danamon has prepared various initiatives in relation to their risk management, consisting of:

1. Credit Risk Management

- Issue internal negative list, applying to all business units
- Continue automation process, among others the implementation of a credit origination system for SME and Commercial segments.
- Upgrade CSL and EEC system to improve exposure monitoring capacity and alignment with regulations.
- Execute diagnostics project on a data warehouse as the initial step of implementation of enterprise data center & use SAS EG - Server Version in Integrated Risk unit.

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Risk Management

- Implementation of scoring system for application and behavior in processing Credit Cards, which will be replicated in other retail/mass market segments.
- Development and validation of rating models in corporate segment, rating model validation in Commercial segment and feasibility study to develop a rating model for SME segment.
- Develop rule-based engine system, which will eventually be used by all Line of Business.
- Initiate a QA change process as a step in perfecting ORM transformation.
- Launch Fraud Awareness video at the beginning of the year, a video socialization process to all levels of the Bank and Subsidiaries.
- Apply ISO22301:2012-BCMS as an accredited standard in subsidiaries.
- Target 50% of Danamon's existing employees to obtain ORM certification through e-learning, in addition to new employees who become certified through the implementation of induction programs.

2. Operational Risk and Fraud Management

- Implement ORM transformation across all Bank Units and their subsidiaries.
- Develop application system to monitor Fraud (Instinct) across all Line of Business and their subsidiaries.
- Improve early detection strategy for Fraud incidence, through the setting of special triggers to detect abnormal behavior, based on the uniqueness of each Line of Business.

3. Market Risk Management

- Obtain new ALM system to improve the quality of monitoring, process of analysis and management of risk market and liquidity.
- Build study and development program for all Market Risk team members, such as a FRM preparation program in mid-2014.

Human Resources



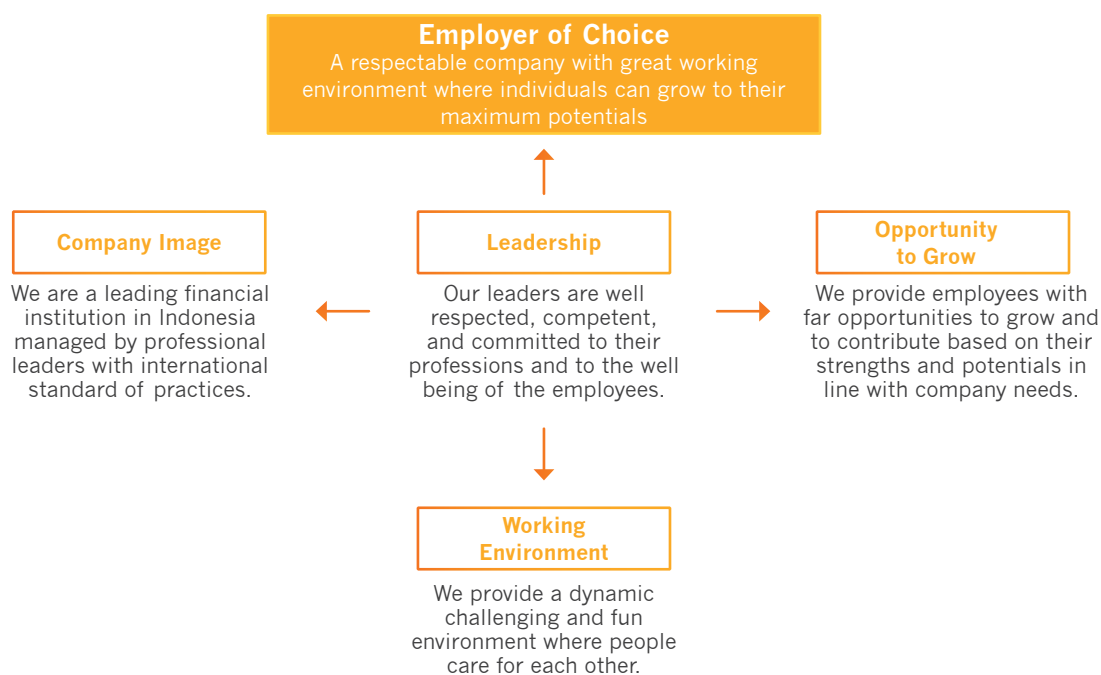
In managing human resources, employees are considered as Danamon's strategic partner. As the Bank's valuable asset, employees are always empowered and encouraged to continuously develop themselves.

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Human Resources

Danamon believes that its human resources are an asset that must be constantly retained, empowered and developed. The immensity of Danamon's business scale and dynamics is clearly revealed by its roster of 67,000 employees, working at locations throughout Indonesia.

Danamon aspires to become an Employer of Choice, and with this in mind, various initiatives are implemented within the 'Four Pillars' framework, which serves as a foundation to attain such an aspiration, namely:



Human Resources

1. Leadership

Adequate and qualified leaders will inspire employees to perform optimally: this serves as one of the factors that attract prospective employees to join and work with Danamon.

2. Company Image

Danamon's performance and its contribution to both the banking industry and society at large sustain the organization's image in the eyes of employees and prospective employees. Thus, the steps Danamon takes to build a positive image will significantly impact its ability to fulfill this mission.

3. Opportunity to Grow

As a universal bank that offers services to multi-segment markets, Danamon has various units that support its overall service process. This commitment has transformed Danamon into a dynamic organization while simultaneously generating a range of career development opportunities across its business units and throughout various roles and positions.

4. Working Environment

Maintaining a dynamic working environment for employees is instrumental in driving them to grow, develop and aim for bigger goals in their careers with Danamon.

Being customer-oriented, the Bank gears its human resource management toward supporting the development of Danamon products and services. To achieve that goal, the strategic initiatives taken include:

1. Creating integrated human resource management, covering:
 - Synergizing of functions and employees through a review of the organization, business processes and work accountability.
 - Improving the quality of the Bank's performance management system by aligning corporate strategy, employees and performance.
 - Establishing effective competency and capability development programs to support business growth and development.



Danamon Leadership Academy Leaders Forum

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Implementation of Equality Principle



- Implementing a sustainable leadership and talent management program to create future leaders.
2. Maintaining competitive compensation levels relative to the market, while taking into account employee needs and the Bank's financial ability.
 3. Implementing and disseminating our Corporate Culture and employee engagement programs, across all levels and locations.

IMPLEMENTATION OF EQUALITY PRINCIPLE

As an established financial institution that operates throughout Indonesia, Danamon is supported by human resources that come from diverse ethnic cultures and environments. Therefore, Danamon upholds the principle of equality in treating employees equally, regardless of their age, gender, ethnicity, religion, education, physical condition or political affiliation.

Equal treatment is also exercised by Danamon in respect to new recruitment. The decision to grant employment is made on the basis of the adjudged abilities of a prospective employee, in accordance with the Bank's criteria. Likewise, the initial remuneration scheme is also set in accordance with Danamon standards.

Furthermore, the performance appraisal of every employee is solely determined on the basis of the employee's abilities, comprising technical, operational, managerial and leadership capabilities performed.

Equal treatment is stipulated within the Collective Labor Agreement (CLA) concluded between PT Danamon Indonesia, Tbk. and the Danamon Labor Union. This codicil has been disseminated to all employees of the Bank. Employees can also access this CLA document through the Bank's Portal.

CORPORATE CULTURE INTERNALIZATION

Corporate culture internalization activities are carried out from the time the employee is hired in the Bank, through an employee orientation program, in accordance with the mandate stipulated within the Collective Labor Agreement. Furthermore, corporate culture communication has always been an integral part of the various training classes, meetings and workshops as well as various other forums conducted by the Bank.

Implementation of Human Resource Competency Development and Training

One aspect of the Bank's corporate culture internalization initiatives is the Bisa! ("Can Do!") Award program, extending recognition to employees who have demonstrated a "Can Do" Spirit – producing concrete results that benefit the community, exceeds assigned day-to-day role and work, and represents Danamon's core values.

IMPLEMENTATION OF HUMAN RESOURCE COMPETENCY DEVELOPMENT AND TRAINING

Danamon seeks to ensure that the competency of each employee meets the requirements of the role and responsibilities of his or her respective position. To achieve this, in addition to providing specific development programs for their respective business lines, Danamon also provides an integrated range of individual development programs for every group of employees, ranging from the clerical, to first line management, middle management and senior management level.

In line with the organization's aspirations to become the Employer of Choice, the leadership development program has become Danamon's emphasis to prepare future corporate leaders. Danamon's leadership education programs are carried out through the Danamon Leadership Academy, an institution based on Danamon's leadership platform of "Grow Yourself · Grow Your People · Grow Your Business", also known as "3G". To carry out this program, Danamon works closely with prominent local and international institutions.

Various training activities have been coordinated by Danamon Corporate University and largely conducted at Danamon's Training Center in Ciawi, West Java, as well as in a number of training centers situated across the regions.

Training Statistics				
Training Program	2010	2011	2012	2013
Number of Trainings	8,000	6,237	4,230	3,329
Number of Participants	70,500	67,632	83,277	90,864
Total Man-days	165,000	218,480	203,397	237,446
Total Training Investment (Rp million)	204,713	285,673	265,705	261,079
Average Investment per Employee (Rp million)	2.90	4.22	3.19	2.87

* Employee data comprises permanent, probation, contract, trainee, honorary and expatriate employees.

* Above data excludes outsourced employees.

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Recruitment

RECRUITMENT

Recruitment seeks to ensure that the Bank has the adequate number and quality of human resources at its disposal. In 2013, the number of Danamon employees increased by 3.7%, or 2,397, growing from 65,330 employees at the beginning of the year to 67,727 by its end. Of these new employees, 49.8 % are fresh graduates with a minimum education level of Diploma (D3), while the remaining 50.2 % are employees with prior working experience, particularly within the finance and banking industry.

For fresh graduate recruits, in addition to an open invitation through job advertisements placed in newspapers or on the Bank's website, Danamon also conducts its "picks up the ball" campaign from targeted colleges or educational institutions. This is conducted through seminars, public lectures and the Bank's participation in career day events organized by a number of universities.

EMPLOYER BRANDING

In the quest to achieve its aspirations to become "The Employer of Choice", Danamon Young Leaders Award (DYLA) was held for the 7th time.

DYLA represents cooperation between Danamon and Indonesian universities to increase its brand awareness. It is an exciting competition event for Indonesia's outstanding young leaders.

DYLA 2013 was structured differently from previous years. Through the theme of "Cultivating Creativity, Making Innovation Work", DYLA 2013 was conducted within a refined concept and content. Creativity and innovation represent relevancy to the workforce requirements within both the business and the corporate world – particularly relevant for leadership criteria.

Moreover, DYLA 2013 also provides a more thorough exposure to the working environment, particularly in respect to the banking industry. A range of insights is presented by subject matter experts from Danamon. This creative and innovative thinking workshop is designed as a challenging and exciting competition among participants. DYLA is open to undergraduate students from various majors, comprising sixth semester students up to fresh 2013 graduates with a minimum GPA of 3.00, and previous exposure in a student organization or active participation in a community-based organization.

An important milestone was also marked in 2013 with the inaugural launch of the official microsite www.dyla.co. This microsite serves as a complete information hub pertaining to DYLA and is supported by an official social media account in Facebook (www.facebook.com/dyoungleaders) and Twitter (@dyoungleaders). These digital tools have proven effective for capturing the attention of students, who represent major target participants.

DYLA 2013 attracted over 400 applicants – a record number compared to previous years. Candidates that passed the administrative selection phase continued on to a telephone interview process for verification – narrowing the result to 30 young leaders for the 2013 Danamon Young Leaders Award. The selected Top 30 came from various leading Indonesian universities, including the University of Indonesia, Gadjah Mada University, and the University of North Sumatera, with majors ranging from Management to Veterinary Medicine.

Welfare

The intensive week-long program was held at the Danamon Corporate University's Ciawi Campus from 1 to 7 December 2013, resulting in 1 Best Group & 1 Runner Up (group category) and 5 individual category winners.

WELFARE

In addition to regular and consistent benchmarking with salary and benefits generally conforming to those in the Indonesian banking industry, Danamon continues to adhere to minimum wage requirements in accordance with prevailing laws. Danamon also provides a health insurance facility that is currently considered to be one of the best in the industry, in addition to other facilities, that include Housing and Car Loans. To assist its employees in dealing with increasing living costs driven by rising fuel prices, in 2013 Danamon adjusted compensation, so as to ensure its employees' purchasing power.

JOB EVALUATION

In line with the organization's rapid growth, a job value re-evaluation of existing positions was conducted, to ensure it was aligned with the current context and parameters. The goal was to obtain a fair and transparent relative value for positions, one that best reflects existing burdens and responsibilities. Conducted by professional

consultants, this initiative is exercised for all positions within the Board of Directors and Senior Officers Group. Subsequently, this initiative will also be implemented for all positions within the organization. The re-evaluation results will stand as one of the criteria for a grading system review and job value benchmarking with the labor market.

EMPLOYEE ENGAGEMENT SURVEY

In the framework of its Employer of Choice context, Danamon is also concerned with maintaining a good and convenient working environment. For this purpose, Danamon conducted an Employee Engagement Survey among all employees, including those at its subsidiaries. The survey is expected to provide insights on current conditions, including employee expectations and suggestions. The result will be addressed in the form of an action plan, comprehensively set out from the top level downwards.

More than 50,000 employees are engaged in the survey, which was carried out in cooperation with professional consultants. It is one of the largest surveys independently conducted by any organization.



Peduli Beasiswa
Peduli Beasiswa

- Risk Management
- **Human Resources**
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Danamon Employee Cares

INDUSTRIAL RELATIONS

Danamon has established a mutually supportive relationship with the Danamon Labor Union through the concept of partnership and social dialogue. To ensure that employees understand their rights and responsibilities, Danamon regularly disseminates information to new employees, through orientation programs, and to longer-serving employees nationwide.

Throughout 2013, Danamon displayed a sound and healthy approach in addressing employees' complaints, in accordance with prevailing rules. This is conducted directly between employees and their superiors, or through the mediation of the Human Resources Division and/or the Labor Union. Despite a number of cases that needed to be settled outside of the Bank, Danamon assures that such settlement will always be carried out in compliance with prevailing laws and regulations.

TRANSPARENCY

To enhance a culture of transparency, Danamon regularly conducts the "Live - Chat with Director" via Danamon's intranet portal. The President Director and other Directors will take turns

hosting a live - chat, whereby any employee can interact directly, by sending questions, suggestions as well as complaints and concerns and receive a response directly from top management. Through this initiative, it is hoped that communications between management and employees can be maintained and can result in optimum coordination and performance.

DANAMON EMPLOYEE CARES

Caring is one of Danamon's core values and that is embodied through the Danamon Employee Cares (KDP), which seeks to raise charitable funds from its employees for its employees by deducting contributions from their monthly salaries. Danamon will match an equivalent amount for every Rupiah contributed by an employee. The application of KDP funds is prioritized to support employees directly affected by natural disasters, emergency funds for health care, as well as direct payments for grief compensation and scholarships for employees' children.



Donor Darah Danamoners
Donor Darah Danamoners

Danamon Employee Cares

WORK LIFE BALANCE

Danamon facilitates interest-based activities for its employees outside of normal working hours, through the D'Club. Activities include sports, arts, hobbies, religious and others coordinated by a D' Club Council established within each of Danamon's Regional Offices. A Regional Sports Week is held once every two years, alternating with the Danamon Mini Olympics, to compete in various categories of sports and arts. In addition, the D' Club also coordinates employee participation in various activities within the local community.

In 2013, D' Club organized these activities:

- D' games, a Regional Sports Week was held in Solo in May, and attended by 250 participants from various regions. Sports branches in competition included futsal, badminton and table tennis.
- Musical-Campus Night was held in January, June, and December at the Ciawi Campus and attended by over 200 participants at each event.
- In collaboration with the Indonesian Red Cross, a Blood Donation was held in November at several branches. Each venue saw over 40 donors participating.
- D'traveling to Vietnam, Bali, and Manado. These trips were organized in collaboration with the Employees Cooperative and a Travel Agency in April, October, and November with 10, 29, and 14 participants, respectively.
- A Photography Seminar was held in Medan, Makassar, and Balikpapan in August and October, and was attended by 50 participants at each event.
- "Employee Tenure Awards" was held in July and December, at major cities within each region (Jakarta, Bandung, Surabaya, Makassar, Balikpapan, Medan, Semarang, and Lampung).
- Day Care, in collaboration with experienced teachers who designed each program activity, was attended by 25 children each day. Day Care is organized at the Human Resources Division's Office, Plaza Kuningan, a week prior to and following Lebaran holidays.



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Company's Investment in Human Resource Management

- Health Talk, held at the Human Resources Division Office, Plaza Kuningan in October and November. Topics included Successful Breastfeeding for working mothers, Healthy Heart and Cervix Cancer. These talk shows attracted 50 to 110 attendees.

Danamon also provides a Lactation Room in its Jakarta Head Office and selected numbers of Regional Offices.

Furthermore, a 10,000-step Healthy Walk Daily Program is also fostered by Danamon, by providing Pedometers for interested employees. The program has been conducted by the Head Office's Human Resource Division since 2013 and subsequently developed to include other units within Danamon's Head Office and Regional Offices. This program is aimed at promoting employee health and well-being.

COMPANY'S INVESTMENT IN HUMAN RESOURCE MANAGEMENT

To Danamon, Human Resources is one of its most important assets, one that should constantly be retained, empowered, and developed. Thus, the Bank places special emphasis on human resources management, including recruitment, training, development of competencies, providing adequate remuneration, health insurance, and other benefits.

In 2013, manpower expenses amounted to Rp5,713 billion, which represents a 10.6 % increase compared to the previous year. This growth was primarily driven by the increase in salaries and total number of employees.

On competency development and training fronts, the investment made by Danamon in 2013 reached Rp261 billion. This was 1.8 % lower than that made in 2012, of Rp266 billion. However, the total number of participants and training days was significantly higher than in 2012.

Employee Statistics

EMPLOYEE STATISTICS

Employees by Education (consolidated)				
Education	2010	2011	2012	2013
Post Graduate	575	579	577	573
Bachelor	34,487	40,256	41,162	42,361
Diploma	11,155	13,297	13,678	14,007
Senior High School	7,003	7,986	9,789	10,671
Junior/Elementary School	182	148	132	115
Total	53,402	62,266	65,338	67,727

Employees by Age (consolidated)				
Age	2010	2011	2012	2013
<25 years	6,850	9,676	9,364	9,066
25-34 years	34,444	39,484	40,960	41,983
35-44 years	10,630	11,297	12,764	13,966
>45 years	1,478	1,809	2,250	2,712
Total	53,402	62,266	65,338	67,727

Employees by Position (consolidated)				
Grade	2010	2011	2012	2013
Top Management & Technical Advisor	46	38	45	49
Senior Manager	325	336	362	407
Manager	2,410	2,586	2,909	3,495
Officer	12,117	13,903	15,618	16,894
Staff	38,504	45,403	46,404	46,882
Total	53,402	62,266	65,338	67,727

Employees by Placement (consolidated)				
Source	2010	2011	2012	2013
Danamon	26,275	30,736	33,939	35,423
Adira Finance	24,392	28,272	28,093	28,519
Adira Kredit	2,026	2,417	2,439	2,863
Adira Insurance	709	841	867	922
Total	53,402	62,266	65,338	67,727

* Employee data comprises permanent, probation, contract, trainee, honorary and expatriate employees.

* Above data excludes outsourced employees.

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Outlook for 2014

OUTLOOK FOR 2014

In 2014, Danamon will continue to focus on employee productivity development, through quality improvement in its working environment. The five areas of Danamon's human resource development in this year are:

1. Culture and Employee Engagement

Internalizing Corporate Culture will be intensified through various ways, such as the creation of a Culture Ambassador and corporate culture programs for senior management. The Human Resources Division is also developing an interactive social program, using electronic media, called "Danamon Value Network" (DVN). This program provides employees the opportunity to share experiences about behavior in accordance with Corporate Values and Culture, including sharing ideas, photos, and relevant articles. This media is expected to allow employees to actively interact and learn about appropriate behavior through real-life examples and discussions.

2. Leadership

Danamon will organize sustainable leadership program so as to create future leaders. Several activity plans have been developed to improve the existing leadership program.

3. Talent Management

Danamon's talent management begins with a review/assessment process of the employee's performance and potential, by using a methodology that is applied annually. Employees categorized as talent will receive special attention in terms of development and career opportunities both within their respective work unit as well as in other work units (including subsidiaries).

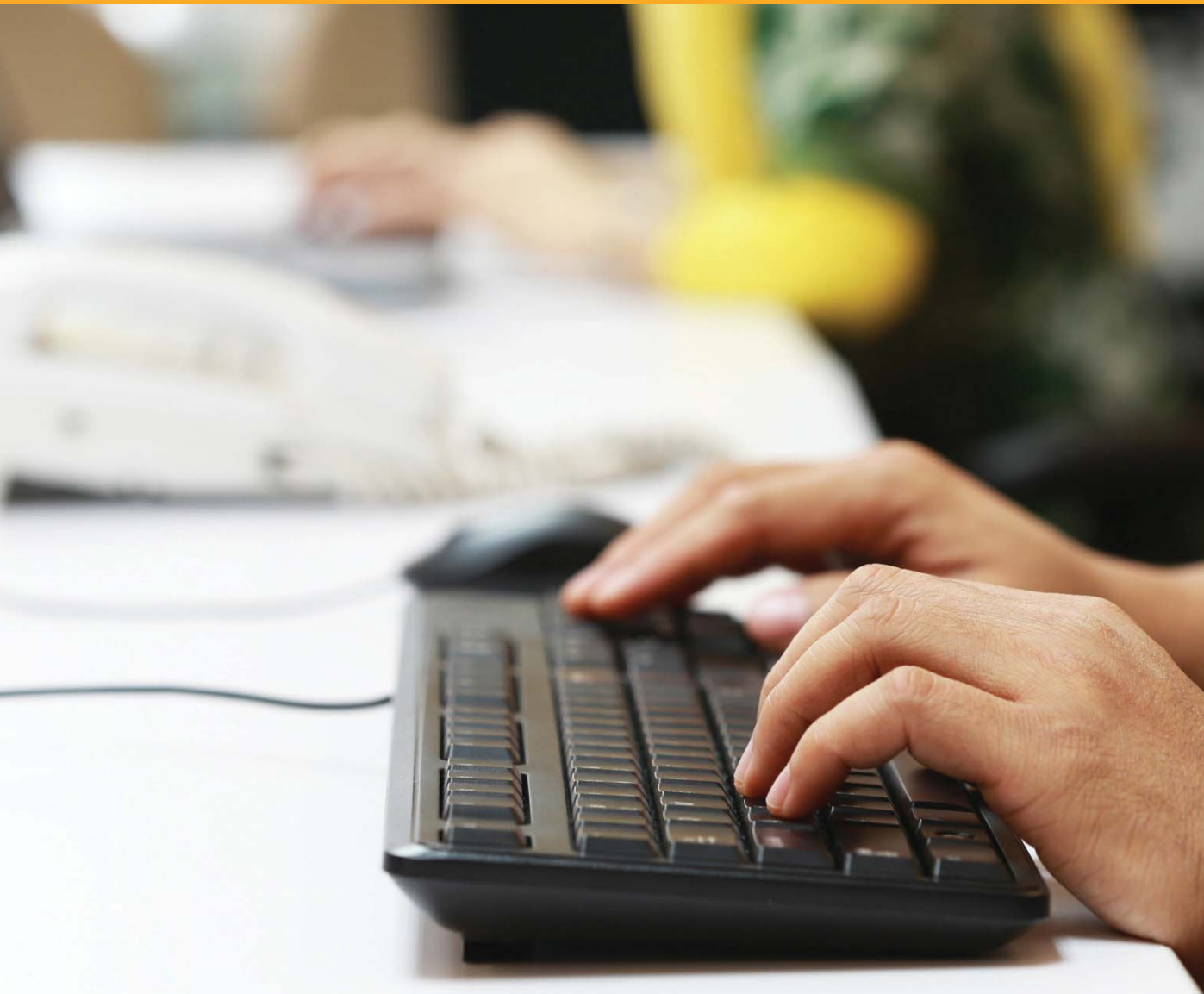
4. Sourcing and Recruitment

To address the competition in the labor market, Danamon will improve the quality of its existing recruitment system as well as apply sourcing strategies and integrated employer branding programs.

5. Performance Management

The performance management system will be reviewed by aligning corporate strategy, employees and their performance.

Information Technology



Information Technology within Danamon is geared toward supporting the business growth of Danamon and its subsidiary, ensuring a secured, uninterrupted and efficient operation, as well as optimizing availability and mitigating interruption rates of the Bank's services

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- **Information Technology**
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Information Technology

The role of Information Technology (IT) is instrumental in ensuring a secured, uninterrupted and efficient operation of the Bank in an integrated manner. Thus, Danamon continuously prioritizes IT development since most of all Bank's operation rely on IT. Through IT Directorate, Danamon strives to ensure that all banking products and services are available to the customers and accessible at any time and at their convenient location.

Information Technology within Danamon is directed toward:

- i. Supporting the business growth of the Bank and its subsidiaries;
- ii. Ensuring a secured, uninterrupted and efficient operations of the Bank;
- iii. Optimizing the availability and mitigating the interruption rate of the services.

To achieve these goals, Danamon carried out a number of significant initiatives on IT area in 2013, including:

1. System and Network Development

Danamon undertakes continuous improvement and development on its New Core Banking System (NCBS) that has been in place in the past few years. In 2013, the Bank added new features into this system, including foreign exchange transaction monitoring at branches and SMS notification on customer transaction. By the end of 2013, NCBS has been installed at 537 conventional branches, 150 Pawning branches, 11 Syariah Business Units, 1217 DSPs, 3 Trade Service at Port (TSPP), and 6 Trade Representative Office.

On Danamon Simpan Pinjam (DSP) in particular, improvement was made on DSP's loan origination system to fit more into DSP business model as well as the implementation of risk and loan approval controls. Meanwhile, several DSP units were upgraded to provide service to conventional customers by increasing its capacity to serve SME customers.

Improvement was also made on mobile banking system, particularly on mobile banking specifically for low-end customers as well as on collection management system.

To provide a wider service for micro banking customers, Danamon has added 11 DSP units. And to support the trade finance customers has also added 1 TSPP branch and 1 Trade Representative Office.

In 2013, Danamon has also added 8 new ATMs and 407 EDCs at its 149 conventional branches.

Furthermore, in compliance with Bank Indonesia regulation, Danamon has included Know Your Customer (KYC) requirement into the credit card system. An evaluation was also conducted on trade finance system and balance sheet management as to comply with the International Financial Reporting Standard (IFRS).

In 2013, other system and network developments were made on:

1. Credit Card application improvement to comply with Bank Indonesia regulation PBI No. 2/PBI/2012

Information Technology

2. Implementation of Danamon Hotline single number 500 090 and Danamon SMS banking.
3. Implementation of Short Message Text/ Email Notification applications to alert customers on certain transaction on their saving or time deposit account.
4. Implementation of Loan Processing Application at all DSPs (1,217 units), completed in December 2013.
5. Initial implementation of Document Management System for DSP in December 2013, which will be continuously implemented at other DSP unit, to be completed by 3rd Quarter 2014

2. Servers and Hardware

During 2013, Danamon has replaced 871 multi-function printers at headquarter and branch offices for an initial stage.

IT has already starting to do trial on Full Disk Encryption on personal computers and notebooks to protect and secure all data used by the employees, where by end of December 2013 has been piloted in 10 notebooks. In compliance with Bank Indonesia Regulation (PBI 9/15/PBI/2007), network encryption has also been exercised in all branch offices.

To improve the capacity and performance of server application, Danamon has increased its Server Farm Switch capacity for PRODUCTION (BSD) and DRC (KSI), initially commenced at the end of 2013. Danamon will continue to carry out its server improvement program through the development of server virtualization for UAT & Development, which by the end of 2013 has reached 100 servers.

3. HR Competency Enhancement

Competency and adequate numbers of employee is instrumental in ensuring an excellent IT operation. HR competency of IT Directorate today is deemed sufficient, in terms of their understanding to implement all IT initiatives. However, more efforts will be made to continuously enhanced their capability, so that they can keep up with the ever-changing development in IT area.

IT team is one of the most efficient units in the Bank, with only 95 additional staffs recruited in the past 9 years. This is a testament to IT team success in retaining its people and in training them to adapt to the ever-changing system. In addition to providing trainings and re-trainings, Danamon is also fostering a sense of belonging and promoting loyalty and commitment to create a conducive working environment.

- Risk Management
- Human Resources
- Information Technology
- Operations

Outlook In 2014

OUTLOOK IN 2014

Going forward, Danamon will advance its IT development by enhancing electronic channels capacity and implementing various new systems to support business requirements. However such initiatives will be made by taking into account the development of macroeconomic and industry that are predicted to be dynamic in 2014.

In 2014, IT developments will be made through the following initiatives:

1. Procurement of new electronic channels, including mobile Apps, mobile branch, mobile EDC, and Secured SMS banking to acquire new customers and to provide service convenience for existing customers.
2. Improving customer relationship, increase customer wallet share and enhancing risk management through analytics and enterprise data warehouse.
3. Strengthening infrastructures and improving efficiency in data center by deploying Server Virtualization and Cloud platforms.
4. Strengthening System Regulatory to be in compliance with Bank Indonesia and Financial Services Authority (OJK) regulations. The XBRL, LSMK, PSAK and other regulations has been embedded into the new systems.
5. Implementation of integrated communication & collaboration technologies.

Furthermore, IT Directorate will also continuously take prudent measures and anticipation against unauthorized access by internal and external sources.

Operations



Operations strategic direction, that includes centralization and simplification of processes in the Bank's network, improve the alternative channels and fortified strengthen synergies with subsidiaries. Danamon has also been able to maintain operating expense efficiency and to establish a streamlined organization within its branch offices

- Risk Management
- Human Resources
- Information Technology
- **Operations**

Strategy and Development in 2013

Operational support is an instrumental aspect in the operations of any banking institution. To that end, Danamon must ensure the Operations System that is safe, reliable, excellent and efficient, one adaptable to customer needs, as well as responding to ever-changing developments in technology and risk exposure levels.

Operations system refinement is a priority continuously carried out by Bank Danamon. The objective is to ensure the availability of banking products and services for the customer while maintaining their trust and satisfaction.

STRATEGY AND DEVELOPMENT IN 2013

The Operations Directorate strives to play its pivotal role in delivering secure, efficient and effective services to customers, through the following four operational strategies:

1. Simplifying banking processes through all Bank networks, to provide the customer with faster and more efficient service.
2. Centralizing banking processes at all Bank branches, to maintain efficiency in operating costs and keep the branch office organization more streamlined.
3. Promoting the use of alternative channels by the customer.
4. Establishing banking service synergy with Danamon subsidiaries, which they may call upon in their operations.

In 2013, Danamon upgraded Operations in the following areas:

1. Service Facility Improvement for the Customer

Danamon implemented continuous improvements, adding more facilities to provide the customer with better ways to carry out transactions and access other banking services. One aspect is the addition of 6,448 Electronic Data Capture (EDC) points, including Pinpad and Mobile EDC, to provide the customer with swift, secure and accurate service facilities.

Additionally, the Bank has added 79 new Automatic Teller Machines (ATM) during 2013. As of the end of 2013, the Bank had installed 1,483 ATMs and 70 CDMs.

Working with an ATM, the customer can access banking services at any time, while the CDM offers a flexible and efficient method for depositing money at any time. This method has proved to be faster and requires no assistance from teller officers in the process.

A notification-alert service confirming customer transactions is also available through text message (SMS) or email. This service is aimed at providing convenience and protection for the customer. Initially, this service has been made available for banking transactions carried out through counter tellers.

Additionally, an e-statement facility is continuously used by Danamon in reporting customer transactions for savings accounts,

Strategy and Development in 2013

checking accounts and credit cards. The E-statement facility reduces the use of paper and serves as a testament to the Bank's concern for environmental protection. The use of e-statements also reduces postal costs over time.

2. Office Network Expansion

In 2013, Danamon added 14 new branches (2 conventional branches and 20 Danamon Simpan Pinjam). The Bank strives to meet customer needs by providing convenient outlets in strategic locations. Additionally, continuous improvement is made with Mobile Branch service, first launched in 2012. This service was developed to cover areas beyond Jakarta, Bogor, Depok, Tangerang and Bekasi.

Construction of the new Bank Danamon Headquarters, located on Jalan HR Rasuna Said, Jakarta, is currently underway. Designed as a "Green Building", this new 21-floor skyscraper will feature 24,000 square meters of space. Completion is due in 2015. The initiative to build its own headquarters building is a testament to the commitment from Danamon shareholders to long-term business and expanding operations in Indonesia.

3. Alternative Channels

In 2013, Danamon continuously promoted the use of alternative channels by customers, allowing them to carry out transactions in a more flexible manner, at any convenient time. Additionally, this initiative also provides the Bank with more secure and efficient operations. Currently, alternative channels available to customers included Cash@work, Danamon Online Banking and Mobile Banking.

Alternative channels allow a significant advantage for cash management at branch offices of the Bank. In 2013, despite the addition of new branches and ATMs/CDMs, the Bank still succeeded in efficient management, in terms of the amount of cash kept within the Bank's branch offices, at less than 2% of the Bank's total third party funds. This ratio is below the average of national banking, a testament to Danamon's success in mitigating operation risk in cash management.

4. Improvement of Control Function and Internal Risk Mitigation

In line with Bank Indonesia regulations, Danamon has established an Operations Risk Management unit, under the Operations Directorate. The objective of this unit is to strengthen the control function over the Bank's operations. It serves as a first line of defense, part of our multi-layered line of defense.

To mitigate the risk of abuse of authority by officers involved in banking transactions, Danamon continuously applies preventive measures, including an internal anti-fraud campaign, assignment rotation, enforcing block leave and exercising a stringent internal control.

5. Group Synergy

Danamon's subsidiaries operating in financial and financing businesses present an opportunity for Danamon to establish mutual benefits, aimed at improving service and efficiency for the customer.

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Challenges

Danamon has been working with Adira Kredit and Adira Finance since 2011 and 2012, respectively, in the area pertaining to merchant/dealer payment through the Loan Transaction Services unit. This synergy is continuously developed through a more efficient process and technology support. Installment payments from subsidiary customers are continuously serviced by Danamon's office network.

6. Human Resources Enhancement

The immensity of Danamon's network requires competent human resources, in adequate numbers. In 2013, the Bank periodically hosted competency-upgrading programs.

Training sessions were held for senior officers (BSM) at branch offices, including 6 batches of BSM Refreshment with 234 participants. Meanwhile, the BSM Role Model was participated in by 25 best-selected BSMs. To enhance employee potential and anticipate the availability of competent branch leaders in the future, the Bank conducts a career development program for Teller and Head Teller levels, namely, the Branch Service Manager Development Program (BSMDP).

Officer Development Programs are also continuously held by Danamon, in search of new talent as Operation Officers, who will be prepared to work with a sound and comprehensive understanding of operational processes and risks. This program also provides participants with leadership knowledge, as they prepare to become the Bank's future leaders.

CHALLENGES

A number of challenges have been recognized by Danamon in 2013, one of which was the customer's preference for carrying out cash-basis transactions.

An average of Rp6 trillion in cash transactions was managed by Danamon in 2013. The cost for mobilizing and processing such an amount was Rp50 billion. Thus, to reduce the cash-basis transaction – and associated processing costs – Danamon continuously promotes the use of alternative channels, such as Internet Banking and Mobile Banking

Awards and Accolades

Bank Danamon has been recognized as a banking institution that delivers excellent service to its customers. The recognition is also extended to acknowledge the Bank's excellent and professional operations.

Recognition that Danamon received in 2013 includes:

1. Process Excellence in Customer Centricity, BPA Trailblazer Award 2013.
2. Best Trade Finance Bank in Indonesia 2013, from Global Trade Review.
3. Best Bank for RTE Reporting, from Bank Indonesia.
4. Service Excellence Award – Manado SEA 2013, from Mark Plus Insight for Danamon Manado, Balikpapan and Bali.
5. The Best Bank on National Individual Black List Reporting, from Bank Indonesia.
6. The Best SKN BI Online Participant 2013, from Bank Indonesia.

Challenges

7. Award for Counterfeit Money Reporting, from Bank Indonesia - Kalimantan, Pekanbaru and Padang.
8. Best Improvement of STP MT103, from Deutsche Bank.
9. MT103 STP Rate, from Ing Bank.
10. Achiever in USD Straight Through Processing Payment, from Standard Chartered
11. Citi's 2013 Performance Excellence Award in MT202 STP Rate and MT 103 STP Rate from Citibank.

ISO 9001:2008 Quality Management System

As a result of management's responsibility and initiative in attaining the Bank's vision to be a "Leading Institution in Indonesia", a goal also aligned with the Bank's Good Corporate Governance strategy and continuous efforts to build a consistent corporate culture through the banking process and service improvements, involving participation from all concerned parties, Danamon has been able to consistently maintain its international certification of ISO 9001:2008 on Quality Management System within selected working units.

In line with Danamon's development within the national banking industry, the Bank saw more working units receive ISO 9001:2008 certification. By the end of 2013, the development has included 23 working units that cover 12 Operational Units, 9 Information Technology Units and 2 Retail Banking Units.

In achieving ISO 9001:2008, those 23 working units have passed the Audit Surveillance Visit by conducted in 2 periods within a year, by an external Auditor from SGS Certification Bureau. In the process, Internal Quality Auditor (IQA) comprising 20 internal auditors, provided active assistance in ensuring that all activities and documentation in respective units were in compliance with ISO requirements. In 2013, IQA was conducted in a cross-functional method for the first time. IQA's persons in charge, auditees in their respective units, are involved as auditors in other units. This way, a superior IQA result is anticipated, adding more value to the internal auditors.

ISO 22301:2012

In 2013, Danamon also received certification of ISO 22310:2012 for a Business Continuity Management System from British Standard Institution. This achievement has placed Danamon as the first institution in Indonesia and the first bank in Southeast Asia to receive such certification. This shows another testament to Danamon's commitment to ensuring a sustainable banking service operation against unexpected and unprecedented risks.

- Risk Management
- Human Resources
- Information Technology
- **Operations**

Outlook

OUTLOOK

In extending support to the Bank's business and operational efficiency in 2014, the Operations Directorate has prepared various initiatives aligned with its four operational strategy frameworks, comprising:

1. New Trade Finance System

Bank plans to deploy a new system to support Trade Finance. This system was initially developed in Q-4 2013 and will be ready to serve customers in their trading business, both local and overseas.

2. Optimized and Additional Networks/Branches

A special service counter, D'Pass will be introduced by Danamon at selected branch offices to serve priority customers, both individuals and corporates.

Additional numbers of counter trade operations are also planned, following robust growth of Trade Finance from year to year.

3. Customer Service Improvement

Danamon will expand and complete its notification-alert service via SMS and email to cover transactions made through ATMs.

Additionally, Danamon will also create alternative services for its existing and potential customers, so they can experience more convenience when opening their accounts. A further development will also be conducted on alternative channels of transaction services for all customers, including those of subsidiaries. All of these initiatives are carried out by taking technology and customer satisfaction into account.