OPTIMISTIC

Operational Review

Sub Contents

148 Risk Management
234 Human Resources
244 Information Technology
249 Operations

Risk Management

"Danamon constantly improves the implementation of risk management within the Bank and its Subsidiaries to be in line with the regulation and best practice in business. The implementation of risk management is intended to identify, measure, monitor and control various risks in all lines of business."

VISION AND MISSION

Vision

The Bank considers Risk Management as an integral part of its business strategy, thereby, promoting a strong risk culture that is well embedded in all day-to-day decision making, operational activities and employee conduct.

Mission

- To be a trusted partner for the line of business by ensuring transparent and appropriate Risk Appetite, resulting in positive outcomes for our clients, shareholders, regulators and employees.
- To be a strong advocate of corporate values & principles, supported by a robust risk framework that is well defined, well communicated and pre-emptive in nature.
- To provide world class policies, models, tools and frameworks that assist in measured and sound risk taking.
- To sponsor a strong risk and control culture that is pro-active, throughout the Bank and its Subsidiaries.

PILLARS AND PRINCIPLES OF RISK MANAGEMENT

Seven Pillars of Risk Management

Danamon's risk management principles are based on the Seven Pillars of Risk Management which focused on the following seven areas:

a. First Pillar: Good Corporate Governance
   Involve active monitoring and supervision of the Board of Commissioners, Directors and Syariah Supervisory Board (for Syariah Business) and establish several committees to support the implementation of risk management governance.
b. Second Pillar: Risk Framework
   Each employee is required to understand and participate in risk management according to his or her function and responsibility. Integrated Risk Management Directorate as a second line of defense is responsible to define the Risk Architecture and prepares the basic guidance for managing and monitoring the risks. All lines of business and supporting functions will work based on these guidelines.
c. Third Pillar: Risk Management Standards
   Risk management is carried out through the consistent and discipline implementation and approach to the identification, measurement,

monitoring and control for each risk comprehensively and effectively.

d. Fourth Pillar: Accounting Standards
All financial accounting, reports and records that provided to regulators and external stakeholders should be in accordance with the prevailing accounting standards.

e. Fifth Pillar: Technology & MIS
Implementation of safe and reliable information technology and management system are tailored to the size of business activity as well as Danamon's risk management framework.

f. Sixth Pillar: Human Resources
Ensure that the officers who manage the risks at all levels are competent and experienced according to the condition, size, and complexity of business operational. Danamon requires the candidates and relevant officers to obtain risk management certification issued by professional certification agency which is accredited by the regulator.

g. Seventh Pilar: Risk Awareness and Culture
Implementation of prudent approach in developing business strategies are tailored to the risk appetite.

Three Lines of Defense Approach

Furthermore, to monitor, control and manage the risk, Danamon implements the Three Lines of Defense approach as follows:

Board of Commissioners Supervision		
Board of Directors Supervision		
First Line of Defense	**Second Line of Defense**	**Third Line of Defense**
• Line of Business • Support Function	• Integrated Risk Management • Compliance	• Internal Audit
Lines of business and support functions as risk owners are the first line of defense who are responsible to daily risk management in each working unit.	Integrated Risk Management Directorate and Compliance Division have a role as second line of defense to perform the function of risk management monitoring independently.	Internal Audit has a role as the third line of defense who control through independent testings and audits on the accuracy of lines of business and supporting units' processes as well as ensuring that they carry out functions and responsibilities in accordance with prevailing policies and procedures.

Integrated Risk Management

In accordance with the Financial Services Authority's (OJK) regulation on the financial conglomeration, Danamon as the main entity, has formulated integrated risk management by consolidating all risks of the Bank and its Subsidiaries to anticipate possible interaction between one risk exposure to other risk exposure so it can ensure that all different types of risk are managed effectively. Danamon as the main entity manage and monitor ten risks i.e. credit, market, liquidity, operational, legal, reputation, strategic, compliance, investment, and rate of return risks, and additional two risks that are managed in the implementation of integrated risk management i.e. intragroup transactions and insurance risk.

The key elements that support Danamon risk management governance structure are:

- Active supervision of the Board of Commissioners and the Board of Directors.
- Adequacy of policies, procedures and limit setting.
- Risk Management Process and Risk Management System.
- Internal Risk Management Control System.

ACTIVE SUPERVISION OF BOARD OF COMMISSIONERS, SYARIAH SUPERVISORY BOARD AND BOARD OF DIRECTORS

The Board of Commissioners, Syariah Supervisory Board (for Syariah Unit) and Board of Directors are the determinants of the success of risk management through their active supervision. Recognizing the strategic role of the three boards, Danamon has determined the allocation of supervisory duties to each board as follows:

Active Monitoring Function		
Board of Commissioners	**Syariah Supervisory Board**	**Board of Directors**
The Board of Commissioners may delegate risk monitoring function to the Risk Monitoring Committee. However, the Board of Commissioners remains the ultimate responsible party.	Danamon appoints the Syariah Supervisory Board at Syariah Unit in accordance with the recommendation from the National Syariah Council - Indonesian Council of Ulama and approval from Financial Services Authority (OJK).	• As the responsible party for implementation of operational activities, including monitoring the implementation of risk management. The Board of Directors has a role in determining the direction of risk management policy and strategy comprehensively including its implementation. • The Board of Directors has established the Risk Management Committee to support their functions and responsibilities.
a) Conduct monitoring of the risks and evaluate the accountability of Board of Director on the implementation of risk management policies and strategy, and risk exposures through periodic review with Board of Directors. b) Approve business activities which require the Board of Commissioners approval. c) Approve policy which requires Board of Commissioners approval as mandated by Financial Services Authority (OJK)/Bank Indonesia (BI) regulations. d) Carry out the risk management function as stipulated in the regulations. e) Delegate authority to the Board of Directors that enable them to approve business activities and other tasks. f) Directing, monitoring and evaluating information technology strategic plans and policy related to the use of information technology.	a) Ensure the implementation of Integrated Risk Management is not contrary to Syariah principles. b) Assess and ensure the compliance with Syariah Principles for the Syariah products, policies, procedures and business activities within the Bank and/or Subsidiaries, individually and integrated, also do monitoring in order to comply with the fatwa of National Syariah Council - Indonesian Council of Ulama. c) Act as an advisor and provide recommendation to the Board of Directors and Management of the Syariah Business regarding matters related to Syariah principles. d) Coordinate with the National Syariah Council to discuss the Bank's proposals and recommendations on product and service development which need the review and decision from National Syariah Council. e) Evaluate the risk management policies related to compliance with Syariah Principles f) Evaluate the Board of Directors accountability in implementing Risk Management policies related to compliance with Syariah Principles.	a) Responsible for the implementation of risk management policies, strategies, and framework. b) Approve business activities that require the Board of Directors approval. c) Develop risk management culture at all level of organization. d) Monitor the quality of risk performance compared to prevailing norms. e) Ensure the Management adopts prudent and conservative approach in developing their business. f) Determine risk appetite. g) Periodically review the risk management framework, process and policy. h) Ensure the corrective action for problems or irregularities in the business activities that found by Internal Audit (SKAI). i) Ensure the effectiveness of management and improvement of human resources competency related to the implementation of risk management. j) Assign competent officers in the unit according to the nature, quantity and complexity. k). Develop and put in place the mechanism of transaction approval including those which exceed the authority limit for each level of the position.

RISK MANAGEMENT POLICIES, PROCEDURES, AND DETERMINATION OF RISK LIMIT

Danamon has Integrated Risk Management Policy which cover the risk management in general and each type of risk. This policy describes the implementation of risk management, policies and procedures; identification, measurement, monitoring, risk control, risk management information system and internal control system for each type of risk that are managed by Danamon and its Subsidiaries.

Integrated Risk Management Policy is the main framework and guidance in the implementation of integrated risk management in Danamon Financial Conglomeration and being a reference for all entities in financial conglomeration in developing of risk management policies, procedures and guidelines according to the prevailing regulations.

However, since the Subsidiaries are the separated entities from the Bank, the implementation of the Integrated Risk Management should consider the laws of Limited Liability Companies and the Capital Market, also other related external regulations. The Bank as main entity and its Subsidiaries as the member of financial conglomeration have developed their own detailed guidelines and procedures. Those guidelines and procedures are in line with the Integrated Risk Management Policy and other related external regulations.

Danamon has had Credit Risk Policy, Operational Risk Management Policy, Market and Liquidity Risk Management Policy, Information Security Policy and Business Continuity Management Policy which are prepared separately and refer to the Integrated Risk Management Policy.

Danamon risk management policy is implemented through integrated risk management that enables its management to oversee the risks across all lines of business in an integrated manner, including Subsidiaries. Integrated risk management is a combination of strategies, processes, resources, competencies and technologies that aimed in evaluating and managing the risk for the purpose of providing value add to shareholder in line with business strategy and increase the quality of the risk management process, so the capital management can be more effective and efficient.

Integrated Risk Management leads to the establishment of risk appetite and risk tolerance limits that can be afforded/absorbed by Danamon in determining the portfolio, in line with the price risks that have been carefully considered and reflected in the amount of capital which is managed to anticipate the loss of risk, also support the development of Danamon business.

The Bank and Subsidiaries, both individually and integrated, have established the risk limits in accordance to the level of risk to be taken, risk tolerance and financial conglomeration's strategies. Establishment of risk limit is done at the group level and then cascaded to lines of business and Subsidiaries. The policies, procedures, risk limits, and risk management systems are reviewed periodically to adapt to changes in market conditions, products, and services being offered.

THE ORGANIZATION STRUCTURE OF RISK MANAGEMENT

The organization structure of risk management consists of several risk committees and risk management working unit at the Bank and Subsidiaries with various level of responsibility.

Risk Monitoring Committee

The Risk Monitoring Committee is the highest risk management authority at the Board of Commissioners level that serves as a supervisory board to monitor the implementation of risk management strategies, policies, and to evaluate the Board of Directors' accountability in managing the risk exposure.

Risk Management Committee

At the Board of Directors level, a Risk Management Committee has been established to responsible in managing overall risks in Danamon as well as in its Subsidiaries by overseeing the implementation of risk management strategy, policies and evaluating significant risk issues.

Integrated Risk Management Committee

In line with OJK regulation regarding Risk Management for Financial Conglomeration, Danamon has established an Integrated Risk Management Committee that is chaired by the Integrated Risk Director and the member of committee consists of appointed Directors from each Subsidiary and the Division Heads of Integrated Risk Management Directorate.

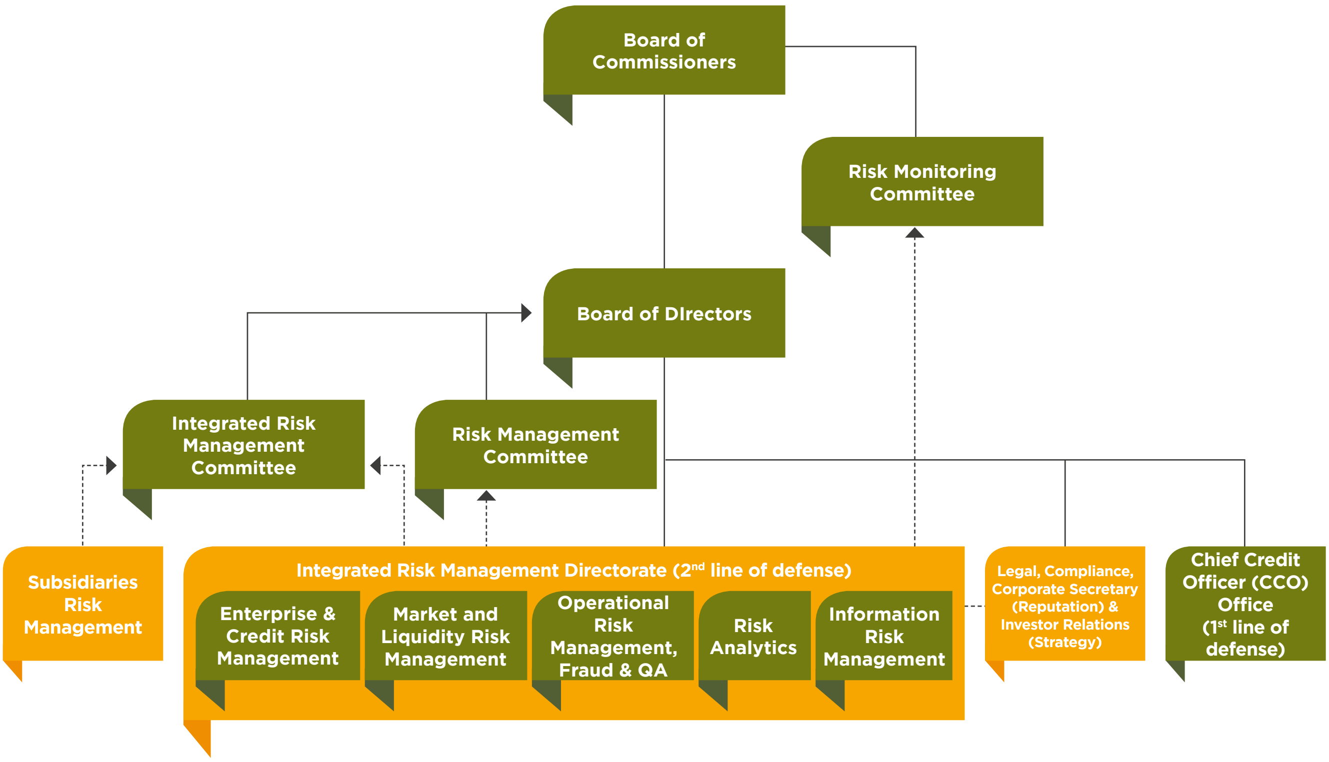
Integrated Risk Management Directorate

The Risk Management Directorate covers the unit that combines credit risk, market, liquidity, operational risk and information risk within a single organization. In the implementation of integrated risk management, the adjustments have been done to the Risk Management Directorate by adding an integrated risk management function to ensure that the integrated risk identification, measurement, monitoring and control processes can be done and reported in accordance with the risk management framework and the regulatory regulation.

This directorate consists of professionals and seniors in the risk management. This function is an independent function as a second line of defense.

The Integrated Risk Management Directorate develops an overall risk management strategy that includes the policies, methodologies, frameworks, limits, procedures and control for all lines of business including Subsidiaries.

Risk Management Organization Structure



To ensure the Risk Management function has operated independently, since April 2017, the Bank has established the Chief Credit Officer working unit (CCO Office) that is independently responsible for managing credit risk effectively as the first line of defense. This unit is separated from Integrated Risk Management Directorate.

In February 2017, under the Integrated Risk Management Directorate, the Bank has established a special division, called as Information Risk Management Division. This division is intended to establish the policy, procedures, tools and governance frameworks to help managing the operational risks related to Information Technology, Information & Data Security and Business Continuity Management. This division consists of three units as follows:

a. IT Risk Management Unit, responsible to manage the potential risk related to the extensive use of information technology systems within the Bank, it includes providing risk review, opinion and recommendation to any new products and services that are supported by Information Technology systems from the perspective of risk management,
b. Information Security Unit, responsible to manage the potential risk related to information & data security within the Bank. The aim of the Unit is to provide relevant policy, frameworks and guidelines from a risk management perspective, as a baseline or a basis for Information Security implementation within the Bank.
c. Business Continuity Management Unit, responsible to manage the risk related to the potential impact on business operations of the Bank as a result of any emergency incident and/or security event. The aim of the Unit is to provide the necessary policy, contingency procedures and guidelines to help the lines of business maintain effective operational activities and provide customers with uninterrupted services while safeguarding the security of our staff and our physical assets in the event of an emergency.

These three units, as mentioned above, perform all activities related to the identification of potential vulnerabilities and threats that may harm the Bank while continuing their normal business activities, including providing guidance in the safe guarding private and confidential data and securing the technology infrastructure. The units are responsible for providing policy, procedures and tools that will help to mitigate against the identified potential operational risk.

Risk Management Process and Risk Management Information System

Danamon has performed the process of identification, measurement, monitoring and control over all risks encountered both at main entity and subsidiary level. This process is included in the policy and work guidance at every line of business and Subsidiaries.

The overview of risk management process is as follow:

Risk Identification
Risk identification process determine the scope and scale of phases in the risk measurement, monitoring and control. Identification is done by analyzing all types and characteristics of the risks that contained in every Danamon's business activity which also cover the products and other services.

Risk Measurement
Risk measurement is used to measure Danamon's risk exposure as the basis to perform the control. The measurement approach and methodology can be in form of qualitative, quantitative or a combination of the both. The risk measurement is performed regularly for the product and portfolio as well as all Danamon's business activities.

Risk Control
Risk control is carried out, among others, by providing the follow up on the moderate and high risk which exceed the limits, control escalation (immediate supervisory), capital addition to absorb the potential loss and periodic internal audit.

Risk Monitoring
The risk monitoring activity is done by evaluating the risk exposure that contained in all product portfolios and business activities as well as the effectiveness of risk management process.

Within the Risk Management structure applied by Danamon, the Integrated Risk Management Directorate consolidates all Danamon's risk exposures that managed by each risk holder, which is functional units.

Lines of business, functional units and Subsidiaries are operational working units that are responsible to manage the risks from the beginning up to the end within their scope of responsibilities. They must clearly identify, measure, monitor and control. Prior to entering on a risk-bearing activity, risk mitigation should be considered.

In performing its role as a risk monitor and controller in operational unit, the Integrated Risk Management Directorate will evaluate the business strategy, policies and product programs.

In performing good control and monitoring system, Danamon has had an adequate detailed risk management information system, including Internal Credit Rating System, ALM System, Central Negative List and Operational Risk Management Systems. Those systems are used to detect any unfavorable development at the early stage, so it is possible to do the corrective actions to minimize losses for Danamon.

INTERNAL CONTROL

Implementation of internal control in risk management include:

a. Establishment of organization structure by performing a clear separation of functions between the operational unit and the risk management unit. This is in line with the Three Lines of Defense principle.
b. Establishment of Integrated Risk Management Directorate which is an independent unit that creates risk management policies and methodology for risk measurement, establishes risk limits and performs the validation of data and model.
c. Review and monitoring of every transaction and functional activity that has risk exposure, as required by each line of business.

In addition, Danamon always ensure the fulfillment of various key points in the control process, covering the suitability of the internal control system and Danamon's risk, establishment of authority, monitoring of policies, procedures and limits, clear organization structure and adequate four eyes principle and procedures to comply with the regulation.

Danamon also periodically review the effectiveness of risk management implementation including the adequacy of policies, procedures and management information systems. Including conduct internal audits on the risk management process and monitoring the corrective action on audit findings.

Human Resources

The implementation of risk management in Danamon is supported by adequate and competent human resources at all levels. The capabilities and skills of human resources related to risk management are continuously improved through the training that conducted internally and externally as well as the obligation to obtain risk management certification according to prevailing regulations.

Risk Culture

A strong risk management culture can be created if all employees are aware of and understand the risks they encounter in doing their activities. In this case, Danamon is committed to establish a combination of unique values, belief, implementation and management supervision that will ensure that all levels in Danamon conduct Bank operational in a prudent manner and based on best practices.

Risk culture is defined through:
- The direction and supervision by the Board of Commissioners and Board of Directors.
- Introduction to risk management as an integral part of business operations.
- Compliance with all policies, procedures and applicable laws and regulations.

The risk awareness and culture at all organizational levels is established through:
- Communicate the importance of managing the risks.
- Communicate the level of expected risk tolerance and risk profile through setting various limits and portfolio management.

- Empower the employees to manage the risk in their activities prudently, including provide adequate risk mitigation.
- Monitor the effectiveness of risk management in all areas.

SPECIFIC RISK MANAGEMENT

a. Risk Management of New Products and Activities
In accordance with the Bank's business plan, Danamon has formulated a policy that governs the procedures of product issuance and monitoring. Including the implementation of risk management on new product/activity in accordance with prevailing regulation.

New products are prepared and recommended by the Lines of Business and/or Product Units and/or Subsidiaries who own the product. Integrated Risk Management Directorate and other related working units, such as Legal Division and Compliance Division, will conduct a review of the new products. The Product Program must also pass a compliance test before being launched.

New products must be approved by the Board of Commissioners. The authorization of approval for product extension is differentiated based on the risk level. Product risk level is evaluated based on product performance, targeted customer, the complexity of operational process and market condition. For Syariah product, it should be consultated and obtain approval from the Syariah Supervisory Board.

b. Risk Management of Syariah Unit
The implementation of Syariah Risk Management is carried out based on POJK No. 65/POJK.03/2016 regarding the implementation of risk management for Syariah Banks and Syariah Business Unit. In terms of policy, Danamon has an Integrated Risk Management Policy which is used as the main framework and basic principles in managing the risks that must be followed by all lines of business and Subsidiaries, including the Syariah Unit. In addition, the Syariah Unit is also guided on Syariah principles which are the principle of Islamic law in banking practices based on fatwas that issued by the authorised institution.

Product/activity undertaken by the Syariah Unit are also reviewed by the Integrated Risk Management Directorate and other related working unit as well as obtaining the Compliance Test. Risk measurement is performed by using an appropriate methodology for the characteristics of Syariah business, through the measurement of risk profile level that evaluated on a quarterly basis and subsequently submitted to the regulator.

In terms of risk management relevant to the fulfillment of Syariah principles, the Syariah Supervisory Board (DPS) approves the policies, procedures, systems and products related to the fulfillment of Syariah principles and the contracts to be used. The implementation of Syariah Risk Management process and system follow Danamon's policies and comply to Syariah banking rules. The Director in charge of the Syariah Unit is also a member of the Risk Management Committee.

c. Risk Management of Subsidiaries
Danamon applies a consolidated risk management process with its Subsidiaries, by considering the different characteristics of business between Subsidiaries and Danamon. This is done through an assistance and alignment process of risk management practices in term of risk governance, risk management policies and procedures, methodologies of risk measurement, risk management reporting and enhancement of risk awareness culture.

In term of monitoring, the Integrated Risk Management Directorate continuously monitors the portfolio performance of the Subsidiaries and identifies any early warning in the deterioration of portfolio quality. Danamon also provides technical assistance in risk management process related to credit risk, market and liquidity risk, operational risk, human resources, information systems, risk management policies, procedures and methodologies.

Monitoring and evaluation outcomes of Subsidiaries' risk exposure are reported periodically. The monitoring covers the detailed and depth analysis of Subsidiaries' portfolio performance, including but not limited to portfolio restrictions that have been approved in the Product Program. The Subsidiaries' risk management is one of the major focuses of corporate management because it plays an important role in supporting Danamon's strategy plan.

This consolidation process is in line with Financial Services Authority Regulation (POJK) No. 17/ POJK.03/2014 dated November 18, 2014 on the Implementation of Integrated Risk Management for Financial Conglomeration and SEOJK No. 14/ SEOJK.03/2015 dated May 25, 2015 regarding the Implementation of Integrated Risk Management for Financial Conglomeration. Referring to that regulation, Danamon as the main entity will continue to make improvement to integrated risk management process with Subsidiaries.

EVALUATION ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM

To carry out an evaluation on the effectiveness of risk management, the Board of Commissioners and the Board of Directors actively oversee the implementation of risk management through the subordinate committees.

To obtain sufficient data and overview of the actions taken in risk management, the committees meet regularly to discuss risk related issues and provide the recommendation to the Board of Commissioners and Board of Directors.

Moreover, periodic evaluations are performed on risk assessment methodologies, adequacy of system implementation, management information systems, accuracy of policies, procedures and limits in order to comply with changes in regulations, business and operational conditions. As a result of the review, Danamon conducts Portfolio Meetings to evaluate the condition of Bank's and Subsidiaries' risk portfolio periodically.

RISK PROFILE

The risk profile assessment includes the assessment of inherent risk and the quality of risk management implementation that reflects the risk control system individually, consolidated and integrated. The assessments of individual and consolidated risk profile are performed on 10 (ten) risks i.e. Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Legal Risk, Strategy Risk, Compliance Risk, Reputation Risk, Rate of Return Risk and Investment Risk. While in Integrated Risk Management, the managed risks also include Intragroup Transaction Risk and Insurance Risk, but exclude Rate of Return Risk and Investment Risk.

In accordance with the monitoring results of each main risk group that are analyzed by Danamon during 2017, the composite rating for Danamon's individual, consolidated and integrated risk profile as of 31 December 2017 is ranked 2 (Low to Moderate).

The following is the Bank's consolidated Risk Profile as of 31 December 2017:

Risk Profile	Consolidated Risk Profile Assessment as of 31 December 2017		
	Inherent Risk	Quality of Risk Management Implementation	Risk Level Rating
Credit Risk	Moderate	Satisfactory	Low to Moderate
Market Risk	Low to Moderate	Satisfactory	Low to Moderate
Liquidity Risk	Low to Moderate	Satisfactory	Low to Moderate
Operational Risk	Moderate	Satisfactory	Low to Moderate
Legal Risk	Low to Moderate	Satisfactory	Low to Moderate
Strategic Risk	Low to Moderate	Satisfactory	Low to Moderate
Compliance Risk	Low to Moderate	Satisfactory	Low to Moderate
Reputational Risk	Low to Moderate	Satisfactory	Low to Moderate
Rate of Return Risk	Low to Moderate	Satisfactory	Low to Moderate
Investment Risk	Low to Moderate	Satisfactory	Low to Moderate
Composite Rating	**Low to Moderate**	**Satisfactory**	**Low to Moderate**

IMPLEMENTATION OF INTEGRATED RISK MANAGEMENT

In accordance with the Financial Services Authority (OJK) regulation on the Implementation of Integrated Risk Management for Financial Conglomeration, Danamon has established a Financial Conglomeration with the Bank as the main entity and its Subsidiaries as the members.

In the implementation of integrated risk management, Danamon Financial Conglomeration has performed the followings:

- Established an Integrated Risk Management Committee that is chaired by Integrated Risk Director and the members consist of appointed Director of each Subsidiary and Division Heads of the Integrated Risk Management Directorate.
- Adjusted the organization structure by establishing an Integrated Risk Management Directorate that monitors the risks of Financial Conglomeration.
- Established an Integrated Risk Management Policy.
- Prepared and submitted an Integrated Risk Profile Report.
- Applied Group Risk Appetite Statement to the lines of business and Subsidiaries.
- Continuous coordination, communication and socialization with Subsidiaries.

The roles and responsibilities of the Integrated Risk Management Committee are to provide the recommendations to the Board of Directors regarding the preparation of the Integrated Risk Management Policy and the improvement of the Integrated Risk Management Policy based on the results of the implementation evaluation.

During 2017, the Integrated Risk Management Committee held periodically meeting to discuss regarding:

- Integrated Risk Profile Report
- Risk Profile Report and Update from Subsidiaries
- Group Risk Appetite Statement
- Recovery Plan
- Other issues that require the recommendations from the Committee.

RISK MANAGEMENT FOCUS AND ACTIVITIES IN 2017

In accordance with the Bank's business plan, in 2017, Danamon continued to conduct the previous year programs and implement a number of new programs as follows:

Risks	Activities
Integrated	• Implementation of Integrated Risk Management in the Bank and its Subsidiaries within the Financial Conglomeration. • Integrated risk management that includes Intragroup Transactions Risk and Insurance Risk. • Improvement of Risk Profile report in accordance with regulatory requirements. • Update Risk Appetite Statement (RAS) and applied to the lines of business and Subsidiaries. • Establishment of Recovery Plan in accordance with the Financial Services Authority Regulation No. 14/POJK.03/2017 for the Systemic Bank. • Setting up Risk Management School on an ongoing basis as a means of risk management learning for all Bank employees through face-to-face classroom training. • Carrying out bank-wide stress tests according to Basel II at least once a year. • Implementation of ICAAP framework that already had by the Bank continuosly. • Establish a special division which is Information Risk Management Division that is responsible to manage the risk related to the usage of Information Technology, Information Security and Business Continuity.

Risks	Activities
Credit	• Implementation of bankwide negative list database to improve underwriting process. • Update Internal Rating Model for Corporate line of business, Commercial line of business, Financial Institution and Financing Company which cover the review on segmentation and logic of Internal Model, Model Refinement and Model Validation including PD, LGD and EAD calibration. • Development of Early Warning Indicator for Corporate and Commercial line of business. • Development of Risk Based Pricing Model for Corporate and Commercial line of business. • Development of Scorecard and Internal Rating Model for Small Medium Enterprise (SME) line of business. • Development of Scorecard Model for Housing Loans (KPR) and Multi Purpose Loan (KMG) product. • Development of Cross Selling Scorecard Model for credit card & unsecured loan based on customer's cash flow accounts data. • Development of PSAK 71 or IFRS9 Model for Corporate, Commercial, Financial Institution, Financing Company, SME, KPR, KMG, Credit Card, KTA, Micro Credit (SEMM), Auto Loan, Investment and Insurance. • Establishment of CCO (Chief Credit Officer) Office that functions independently and focuses as credit approver and provides remedial solutions. • The Bank already has put into effect a Credit Risk Policy that has been implemented in all Bank Lines of Business including Subsidiaries. The Bank has also established an Enterprise Banking Credit Guideline. • Established and categorized different types of industries into industrial groups of high, medium, and low risk levels. The Bank focus its growth on industries with medium and low risk levels. • Continue the focus on acquiring new loans in low risk lines of business such as Mortgage and conduct Cross Sell. • Reduce lending to high risk segments such as ABF, SEMM and UPL. • Implementation of credit infrastructure system such as Credit Processing System (CPS) in SME line of business and Rules Based Engine in SME and SEMM line of business. • Regularly review of all relevant procedures, policies and limit, and make adjustment if necessary, including any adjustments required by OJK/BI regulation and other relevant authorities. • Regularly review of product programs in the possesion of the Bank, in terms of portfolio, criteria, and restrictions and other requirements, and make necessary adjustments. • Perform backtesting periodically to assess the adequacy of credit provision. If necessary, addition of credit provision will be done based on that backtesting results. • In the SEMM business, several initiatives have been undertaken, including the separation of DSP SEMM units into 2 groups i.e. Micro Banking and Special Asset. - Micro Banking, the unit identified as having potential and become the work unit that sustains SEMM loan growth. Collection and initiation will be part of 'Single Captain' expected to encourage a healthier loan growth. - Special Assets (SA) cover all units which are focused on handling collection process i.e. credit payments, settlement and closing of credit facility. The major standpoint of the collection unit within SA units is a good step in improving loan quality.
Operational, Fraud and QA	• Improve the independence of functions and roles of operational risk officer in lines of business, support functions and Subsidiaries. • Refine the Operational Risk Management System (ORMS) application to improve effectiveness in operational risk management comprehensively both in the Bank and its Subsidiaries. • Build awareness of Operational Risk Management through e-learning, risk management school modules, e-mail blast, anti-fraud awareness videos, The purpose is to enhance awareness throughout all of management and employees of the importance of operational risk management. • Implementation of ORPA (Operational Risk Pre Assessment) to review risks on new strategic initiatives, as well as the risk mitigation recommendations. • Self Raise Campaign to provide a tool for employees in raising an issue that has the potential to cause operational risk. • Apply escalation mechanisms to potential/operational risk events. • Implementation of Risk Acceptance to ensure uncompleted operational risk action plan that exceeds 12 months has received management approval.

Risks	Activities
Information Technology, Information Security and Business Continuity	• Establish the Bank's Information Security Policy as a baseline and minimum requirements to provide guidance for the risk management implementation related to the Information Security aspects in Bank Danamon Indonesia. • Conduct Cyber Security Workshop for the Board of Commissioners, Board of Management as well as for the members of the Incident Management Team (IMT). This aspect is inline with the Bank's business strategy in the era of digitalization, to increase the awareness of cyber risk management. • Develop a standard template containing controls requirements to facilitate the risk review activitiy of any projects, new products and/or services, which is supported by Information Technology. By having this standard template, the risk review process can be more measureable and with uniform quality, • Continue and enhance the comprehensive Business Continuity Management (BCM) implementation to maintain the contingency of the business activities and operational in the event of emergency. The implementation of BCM covers both, critical and non-critical business function, by doing a coordination in Business Continuity Plan (BCP) development, monitoring of the BCP test, and incident handling management. • Implement the BCP Automation program to electronically store the BCP documentation inside the ORMS system. • Increase awareness related to Information Risk Management, covering BCM and Information Security aspects, for all lines of management and employees through many medias and sessions, for example: Line of Business Sharing Session, Risk Academy, distribution of educational and awareness improvement materials via periodic eMail broadcasting, etc. It also includes the development of online training material (e-Learning).
Market and Liquidity	• Updating the Bank's Market and Liquidity Risks limit structure and policies of the Bank. • Enhancement in LCR calculation and reporting aligned with OJK regulation. • Enhancement of NSFR calculation aligning with OJK regulation to be applied in 2018. • Validation of the market and liquidity risk measurement methodology. • Implementation of ALM SunGard System in the Subsidiaries in line with the Bank as the main entity.

RISK MANAGEMENT EFFORTS WITH DISCLOSURE OF EXPOSURE AND IMPLEMENTATION OF RISK MANAGEMENT

A. Credit Risk

Credit risk is the potential financial loss caused by the failure of the borrower or counterparty in fulfilling its obligations in accordance with the agreement. Credit risk exposure to Danamon primarily arises from lending activities as well as other activities such as trade finance, treasury and investment. Credit risk exposure can also increase due to the concentration of credit in a certain geographic area as well as certain borrower characteristics.

1) Credit Risk Management

Danamon implements Credit Risk Management individually and integrated with its Subsidiaries in the Financial Conglomeration, which involves the active role of the Board of Commissioners and the Board of Directors. Danamon always applies the principle of prudence and risk management as a whole to every aspect of credit activity.

The Bank has the Credit Risk Policy, which is the core policy and the main frame of reference in implementing credit risk management both at the Bank and its Subsidiaries. This policy, along with the credit risk guidelines in the lines of business and subsidiary levels, govern the risk management process comprehensively starting from the identification, measurement, monitoring up to risk control. All Bank policies and credit risk guidelines are reviewed periodically to fulfill the existing regulations as well as being synchronized to Danamon's risk appetite level.

Process	Implementation Measures
Identification	• Periodically review line of business Product Program as well as Subsidiaries, containing industry analysis and marketing strategies, criteria for credit approval, product performance, as well as the implementation of risk management; • Establish credit approval criteria based on the 5C approach: Character, Capacity to Repay, Capital, Collateral, and Conditions of Economy as well as adjusting the risk appetite, risk profile, and the Bank's business plan.
Assessment	• Develop and implement credit risk assessment methodology, such as internal credit rating and credit scorecards that are consistently enhanced and validated to evaluate loan disbursements as well as other facilities related to credit; • Establish credit risk assessment parameters as well as the trigger score and limits on non-performing loans level, portfolio concentration, as well as other credit parameters; • Conduct stress test of significant changes in the conditions as an estimated potential impact towards portfolios, revenues, as well as Bank capital conditions.
Monitoring	• Periodically monitor risks taken in accordance with risk appetite and business performance remain within the desired limits; • Monitor product performance and Bank portfolio both comprehensively and in a line of business level, through a reliable Management Information System; • Evaluate the adequacy of risk management implementation, which may provide improvement and adjustment measures towards risk management strategies.
Control	• Periodically establish and review the Policies and Guidelines on the implementation of credit risk management, applicable to business units in both general and specific terms; • Implement adequate four eyes principles in every process of credit facility approvals; • Delegate authority on credit approvals to selected members of the Credit Committee, based on qualifications and competencies; • Set Legal Lending Limit for both individual and group debtors, both affiliated and non-affiliated • Set the risk level and concentration limit on certain industrial sectors; • Identify non-performing loans at an early stage, allowing mediation processes to be conducted in a proper and productive manner; • Build-up reserves in line with the existing regulations; • Develop an independent and sustainable internal control system.

Credit Risk Management process is performed thoroughly at all lines of defense in Danamon. Lines of business, Subsidiaries and CCO Office as the risk taking units are the first line of defense which have important role in the implementation of adequate risk management.

The Credit Risk Management Division serves as an independent, second-line of defense. This unit is responsible for monitoring and reviewing credit risk parameters, reviewing and adjusting Credit Risk Policy, and developing risk measurement methodologies and risk control procedures. The Compliance Division as the second tier is also active in providing recommendations on the implementation of credit risk management in line with regulations and granting credit facilities to Danamon related parties.

Compliance with the implementation of credit risk management is continuously evaluated by an independent Internal Audit Unit acting as a third line of defense. This unit actively offers recommendations for the improvement and development of Danamon's risk management across all units.

Credit Risk Internal Rating and Scorecard Model

Danamon has established the Risk Modeling and Quantitative Technique team to develop, implement, monitor, and review the risk modeling, methodology, and quantitative technique. And to make sure that the bank has its robust risk modeling for prudent portfolio

management, for the credit business as follows:
- Corporate
- Commercial
- Financing Company
- Financial Institutions
- Credit Card
- Micro Credit
- Unsecured Loans
- Small and Medium Enterprise Loans
- Home Ownership Loans
- Automotive loan

In addition to the above models, also development of Probability of Default (PD) model, implementation "Danamon Rating Scale" (DRS) which is mapped to PD Model and scores/rating that are applicable to all lines of business.

Internal Rating Model and Credit Scorecard are used as one of the several indicators as the reference to make credit decision, acquisition and portfolio monitoring. By implementing Internal Rating Model and Credit Scorecard, it is expected to improve the overall quality of Danamon's loan portfolio.

2) Credit Concentration Risk
The risk of credit concentration arises when borrowers are engaged in similar business activities, have business activities in the same geographical area, or have similar characteristics that may affect the ability of the customer not to fulfill his contractual obligations, and are equally affected by changes in economic conditions or other conditions.

Danamon encourages diversification of its loan portfolio in various geographical areas, industries, credit products, individual debtors, and reflects a balanced and healthy risk profile and focuses on marketing efforts toward the industry and potential customers to minimize credit risk. This diversification is based on Danamon's strategic plan, the target sector, current economic conditions, government policy, funding sources and growth projections.

3) Measurement and Control Mechanism of Credit Risk
Danamon conducts intensive and rigorous monitoring of any developments that may affect the Danamon portfolio individually or in consolidation with its Subsidiaries within the Financial Conglomeration. Reviews of the loan portfolio are conducted from the business level as a risk taking unit to the Risk Management Unit level that is also monitored periodically by the Risk Management Committee at the Board of Directors level and by the Risk Monitoring Committee at the Board of Commissioners level.

Danamon also carries out measurements on past due and impaired loans. This includes claims that have matured in the form of financial assets in whole or in part, including interest payments, which overdue more than 90 (ninety) days and impaired claims of financial assets that have objective evidence of impairment based on future cash flow estimates.

Evaluation of impaired loans is categorized into two main segments which are Enterprise Banking, and Retail & Mass Market. In the Enterprise Banking segment, the assessment includes four main categories which are payment status, debtor's financial performance, assessment of debtors' repayment status and restructured loans. While for Retail & Mass Market segment, the assessments are conducted using collective approach through the portfolio and assessed based on the asset quality and the restructuring condition.

4) Provisioning

The loan provision for Danamon is conducted through Loan Loss Provision (LLP) methodology, as well as through Provision for Assets (PPA), which are applicable for the Danamon line of business and its Subsidiaries, for both conventional credit and syariah financing that comply with the existing conditions and regulations.

The LLP calculation is referred to the Indonesian Banking Accounting Standard (PAPI) that is stated as loan impairment. The calculation of Loan Loss Provision (LLP) is based on impaired loans amount using the methodology which are developed by Danamon and approved by the Board of Directors.

Calculation of LLP is defined as follows:

- Individual LLP is provision for impairment of financial assets which are evaluated individually using the discounted cash flow method, which calculated the difference between the fair value of the current asset and the fair value of the asset prior to the impairment.
- Collective LLP is provision for impairment of financial assets which are evaluated collectively, if there is no objective evidence of assets impairment that is evaluated individually.

For Enterprise Banking (Corporate and Commercial) and SME segment, Danamon applies the migration loss method (the calculation is based on the migration of collectibility of debtor's exposure after certain period. In this case, Danamon applies 1 year period). While for Retail & Mass Market segment, the collective LLP calculations use the net flow rate method (the calculation is based on the migration of debtor's exposure between days-past-due (DPD) bucket) or vintage analysis.

Danamon is required to calculate PPA for productive and non-productive assets, which refer to OJK regulations.

5) Disclosure of Danamon Quantitative Credit Risk

Danamon quantitative credit risk calculations for 2017 are disclosed in the following table.

1.1. Disclosure of Net Receivables Based on Region-Bank Stand Alone

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

No	Portfolio Category	December 31, 2017								
		Net Receivables Based on Region								
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	Central Java and Yogyakarta	Bali, NTT and NTB	South Sumatra
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
1	Receivables on Sovereigns	24,906,212	17	-	245	-	-	42	-	-
2	Receivables on Public Sector Entities	1,372,103	-	51	121	293	104	46	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-
4	Receivables on Banks	5,582,431	67,896	35,169	60,633	3	3,083	38,811	159,113	40
5	Loans Secured by Residential Property	2,644,851	180,466	233,383	29,676	22,002	67,540	85,869	85,799	4,396
6	Loans Secured by Commercial Real Estate	961,258	-	115,722	12,279	22,074	75,450	21,285	28,069	9,549
7	Employee/ Pensioner Loans	-	-	-	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	9,917,251	2,530,312	3,297,956	4,125,227	2,430,753	5,271,468	2,441,895	527,167	1,276,042
9	Receivables on Corporate	43,874,182	2,985,027	5,579,035	2,708,738	2,815,693	4,778,381	3,199,387	1,382,948	1,662,376
10	Past Due Receivables	808,162	94,241	198,123	198,290	177,875	181,161	175,621	75,557	126,239
11	Other Assets	4,248,066	213,138	262,479	489,063	332,075	374,354	357,095	208,755	270,909
	Total	**94,314,516**	**6,071,097**	**9,721,918**	**7,624,272**	**5,800,768**	**10,751,541**	**6,320,051**	**2,467,408**	**3,349,551**

(Rp million)

	December 31, 2016										
		Net Receivables Based on Region									
	Total	Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	Central Java and Yogyakarta	Bali, NTT and NTB	South Sumatra	Total
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)			(18)
	24,906,516	24,977,493	117	-	170	-	-	61	-	-	24,977,841
	1,372,718	1,131,733	11	-	201	113	185	21	-	-	1,132,264
	-	-	-	-	-	-	-	-	-	-	-
	5,947,179	5,941,165	91,707	94,280	41,443	10	4,943	48,740	197,737	129	6,420,154
	3,353,982	2,009,860	114,564	86,612	25,093	52,314	55,112	56,340	52,392	10,249	2,462,536
	1,245,686	795,229	1,191	108,438	13,668	19,604	61,355	34,647	23,904	2,733	1,060,769
	-	-	-	-	-	-	-	-	-	-	-
	31,818,071	9,707,124	2,983,062	3,986,941	4,350,231	2,543,964	5,036,624	3,093,832	544,958	1,952,980	34,199,716
	68,985,767	42,218,115	2,788,352	5,101,930	2,707,031	2,609,339	4,249,986	3,071,870	1,095,922	1,633,164	65,475,709
	2,035,269	663,555	127,846	262,727	202,965	234,990	192,217	180,175	41,770	182,329	2,088,574
	6,755,934	3,427,345	189,771	260,192	438,624	268,363	352,673	313,392	185,145	227,969	5,663,474
	146,421,122	**90,871,619**	**6,296,621**	**9,901,120**	**7,779,426**	**5,728,697**	**9,953,095**	**6,799,078**	**2,141,828**	**4,009,553**	**143,481,037**

1.2. Disclosure of Net Receivables Based on Region-Consolidated

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

No	Portfolio Category	December 31, 2017								
		Net Receivables Based on Region								
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	Central Java and Yogyakarta	Bali, NTT and NTB	South Sumatra
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
1	Receivables on Sovereigns	24,906,212	440	-	483	-	-	44	-	-
2	Receivables on Public Sector Entities	1,372,251	134	73	379	328	117	52	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-
4	Receivables on Banks	5,990,532	67,896	47,269	87,600	21,593	15,326	46,246	159,113	40
5	Loans Secured by Residential Property	2,646,535	180,779	233,383	29,676	22,002	67,540	85,869	85,799	4,396
6	Loans Secured by Commercial Real Estate	961,258	-	115,722	12,279	22,074	75,450	21,285	28,069	9,549
7	Employee/ Pensioner Loans	-	-	-	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	16,500,337	5,362,644	7,393,759	7,816,482	4,297,892	9,951,457	5,179,312	527,167	1,276,042
9	Receivables on Corporate	43,231,256	2,985,027	5,581,198	2,708,738	2,815,693	4,778,381	3,200,573	1,382,948	1,662,376
10	Past Due Receivables	918,256	153,506	262,164	252,265	205,830	243,900	210,424	75,557	126,239
11	Other Assets	4,684,885	271,399	341,678	560,840	379,412	474,584	402,437	208,755	270,909
	Total	**101,211,522**	**9,021,825**	**13,975,246**	**11,468,742**	**7,764,824**	**15,606,755**	**9,146,242**	**2,467,408**	**3,349,551**

(Rp million)

		December 31, 2016									
		Net Receivables Based on Region									
	Total	Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	Central Java and Yogyakarta	Bali, NTT and NTB	South Sumatra	Total
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)			(18)
	24,907,179	24,977,494	147	-	461	7	-	61	-	-	24,978,170
	1,373,334	1,131,942	315	48	247	125	566	21	-	-	1,133,264
	-	-	-	-	-	-	-	-	-	-	-
	6,435,615	6,398,595	106,998	109,083	66,223	20,164	22,447	62,956	197,737	129	6,984,332
	3,355,979	2,009,860	114,564	86,612	25,093	52,314	55,112	56,340	52,392	10,249	2,462,536
	1,245,686	795,229	1,191	108,438	13,668	19,604	61,355	34,647	23,904	2,733	1,060,769
	-	-	-	-	-	-	-	-	-	-	-
	58,305,092	15,794,458	5,700,535	8,189,585	8,037,475	4,460,790	9,553,441	6,015,197	544,958	1,952,980	60,249,419
	68,346,190	41,618,181	2,788,352	5,101,930	2,707,031	2,609,339	4,249,986	3,071,878	1,095,922	1,633,164	64,875,783
	2,448,141	748,588	160,963	310,503	244,214	260,872	250,522	206,007	41,770	182,329	2,405,768
	7,594,899	3,838,623	247,042	342,284	499,231	320,051	453,524	354,391	185,145	227,969	6,468,260
	174,012,115	97,312,970	9,120,107	14,248,483	11,593,643	7,743,266	14,646,953	9,801,498	2,141,828	4,009,553	170,618,301

2.1. Disclosure of Net Receivables Based on the Remaining Term of Contract-Bank Stand Alone

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

No.	Portfolio Category	December 31, 2016					
		Net Receivables by Remaining Contractual Maturity					
		≤ 1 year	>1-3 Years	>3-5 Years	>5 Years	Non Contractual	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivables on Sovereigns	12,409,899	4,787,829	361,602	546	7,346,640	24,906,516
2	Receivables on Public Sector Entities	1,093,120	272,207	7,276	115	-	1,372,718
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	4,310,154	1,213,732	234,625	181,003	7,665	5,947,179
5	Loans Secured by Residential Property	15,441	149,399	473,517	2,715,623	2	3,353,982
6	Loans Secured by Commercial Real Estate	781,044	47,005	206,086	211,551	-	1,245,686
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	6,537,976	15,254,604	8,641,549	1,349,434	34,508	31,818,071
9	Receivables on Corporate	50,048,346	6,948,716	6,436,481	5,486,512	65,712	68,985,767
10	Past Due Receivables	248,188	561,965	238,498	136,662	849,956	2,035,269
11	Other Assets	397,839	15,510	-	4,628	6,337,957	6,755,934
	TOTAL	**75,842,007**	**29,250,967**	**16,599,634**	**10,086,074**	**14,642,440**	**146,421,122**

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

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

No.	Portfolio Category	December 31, 2016					
		Net Receivables by Remaining Contractual Maturity					
		≤ 1 year	>1-3 Years	>3-5 Years	>5 Years	Non Contractual	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivables on Sovereigns	12,409,914	4,787,859	362,220	546	7,346,640	24,907,179
2	Receivables on Public Sector Entities	1,093,189	272,714	7,316	115	-	1,373,334
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	4,776,638	1,235,684	234,625	181,003	7,665	6,435,615
5	Loans Secured by Residential Property	15,441	149,587	475,326	2,715,623	2	3,355,979
6	Loans Secured by Commercial Real Estate	781,044	47,005	206,086	211,551	-	1,245,686
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	11,111,229	32,625,366	13,164,999	1,368,990	34,508	58,305,092
9	Receivables on Corporate	49,259,392	7,060,336	6,474,238	5,486,512	65,712	68,346,190
10	Past Due Receivables	344,571	832,862	284,090	136,662	849,956	2,448,141
11	Other Assets	708,747	28,218	31,633	4,628	6,821,673	7,594,899
	TOTAL	**80,500,165**	**47,039,631**	**21,240,533**	**10,105,630**	**15,126,156**	**174,012,115**

(Rp million)

December 31, 2016					
Net Receivables by Remaining Contractual Maturity					
≤ 1 year	>1-3 Years	>3-5 Years	>5 Years	Non Contractual	Total
(9)	(10)	(11)	(12)	(13)	(14)
13,886,409	2,821,522	793,760	307,123	7,169,027	24,977,841
1,045,432	59,938	26,488	406	-	1,132,264
-	-	-	-	-	-
3,930,691	1,796,740	471,582	202,546	18,595	6,420,154
25,252	172,283	325,020	1,939,952	29	2,462,536
692,788	36,557	296,017	35,407	-	1,060,769
-	-	-	-	-	-
7,618,720	18,117,581	7,330,842	1,099,816	32,757	34,199,716
47,304,135	6,868,547	6,020,994	5,236,274	45,759	65,475,709
478,428	563,833	282,373	101,848	662,092	2,088,574
-	-	-	-	5,663,474	5,663,474
74,981,855	**30,437,001**	**15,547,076**	**8,923,372**	**13,591,733**	**143,481,037**

(Rp million)

December 31, 2016					
Net Receivables by Remaining Contractual Maturity					
≤ 1 year	>1-3 Years	>3-5 Years	>5 Years	Non Contractual	Total
(9)	(10)	(11)	(12)	(13)	(14)
13,886,435	2,821,572	794,013	307,123	7,169,027	24,978,170
1,045,590	60,599	26,669	406	-	1,133,264
-	-	-	-	-	-
4,399,879	1,891,730	471,582	202,546	18,595	6,984,332
25,252	172,283	325,020	1,939,952	29	2,462,536
692,788	36,557	296,017	35,407	-	1,060,769
-	-	-	-	-	-
12,286,572	34,739,651	12,051,417	1,139,022	32,757	60,249,419
46,554,493	6,988,460	6,050,797	5,236,274	45,759	64,875,783
561,140	761,724	318,964	101,848	662,092	2,405,768
262,336	22,514	2,366	54	6,180,990	6,468,260
79,714,485	**47,495,090**	**20,336,845**	**8,962,632**	**14,109,249**	**170,618,301**

3.1. Disclosure of Net Receivables Based on Economic Sector-Bank Stand Alone

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

No.	Economic Sectors *)	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)
	December 31, 2017				
1	Agriculture, Hunting and Forestry	-	-	-	-
2	Fishery	-	-	-	-
3	Mining and Quarrying	-	-	-	-
4	Manufacturing	-	-	-	-
5	Electricity, Gas and Water	-	-	-	-
6	Construction	-	33,525	-	-
7	Wholesale and Retail Trading	-	-	-	-
8	Hotel and Food & Beverage	-	-	-	-
9	Transportation, Warehousing and Communications	-	-	-	-
10	Financial Intermediary	-	14,264	-	762,625
11	Real Estate, Rental and Business Services	-	-	-	-
12	Public Administration, Defense and Compulsory Social Security	162	569	-	-
13	Education Services	-	-	-	-
14	Human Health and Social Work Activities	-	-	-	-
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-
16	Activities of Households as Employers	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-
18	Undefined Activities	-	-	-	-
19	Non Business Field	142	217	-	-
20	Others	24,906,212	1,324,143	-	5,184,554
	Total	**24,906,516**	**1,372,718**	**-**	**5,947,179**
	December 31, 2016				
1	Agriculture, Hunting and Forestry	-	-	-	-
2	Fishery	-	-	-	-
3	Mining and Quarrying	-	-	-	-
4	Manufacturing	-	-	-	-
5	Electricity, Gas and Water	-	-	-	-
6	Construction	-	17,038	-	-
7	Wholesale and Retail Trading	-	-	-	-
8	Hotel and Food & Beverage	-	-	-	-
9	Transportation, Warehousing and Communications	-	-	-	-
10	Financial Intermediary	-	20,086	-	843,228
11	*Real Estate*, Rental and Business Services	-	-	-	-
12	Public Administration, Defense and Compulsory Social Security	348	320	-	-
13	Education Services	-	-	-	-
14	Human Health and Social Work Activities	-	-	-	-
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-
16	Activities of Households as Employers	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-
18	Undefined Activities	-	-	-	-
19	Non Business Field	-	210	-	-
20	Others	24,977,493	1,094,610	-	5,576,926
	Total	**24,977,841**	**1,132,264**	**-**	**6,420,154**

Note:
Economic sector refers to economic sector used in the Commercial Bank Monthly Report (Laporan Bulanan Bank Umum - LBU).
Net receivables to bank without economic sector information in LBU is classified as "Financial Intermediary", while other than that is classified as "Others"

(Rp million)

	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
	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	-	-	-	969,368	2,194,836	24,060	-
	-	-	-	88,381	21,203	2,510	-
	-	-	-	81,957	566,303	811	-
	-	-	-	1,340,941	16,396,137	400,231	-
	-	-	-	46,834	33,508	415	-
	-	705,954	-	185,695	1,095,124	14,455	-
	-	-	-	8,984,539	25,849,142	994,607	-
	-	-	-	593,780	1,123,559	30,412	-
	-	-	-	878,708	3,356,765	186,866	-
	-	-	-	67,374	5,096,457	404	-
	-	539,732	-	659,798	1,293,912	42,210	-
	-	-	-	171	-	-	-
	6	-	-	13,301	16,439	334	-
	-	-	-	91,114	34,655	3,014	-
	-	-	-	545,412	268,306	28,629	-
	-	-	-	2,048	-	103	-
	-	-	-	413	-	-	-
	-	-	-	49	-	-	-
	3,353,976	-	-	16,176,998	1,565,449	294,778	-
	-	-	-	1,091,190	10,073,972	11,430	6,755,934
	3,353,982	**1,245,686**	**-**	**31,818,071**	**68,985,767**	**2,035,269**	**6,755,934**
	-	-	-	1,105,676	1,747,653	48,266	-
	-	-	-	82,830	15,694	2,766	-
	-	-	-	62,492	490,802	126,062	-
	-	-	-	1,499,941	15,156,148	263,359	-
	-	-	-	24,039	131,568	-	-
	-	503,121	-	146,779	889,876	27,987	-
	-	-	-	11,129,354	24,366,479	993,845	-
	-	-	-	780,675	1,069,219	40,275	-
	-	-	-	941,884	3,267,609	179,913	-
	-	-	-	77,942	5,035,502	8,342	-
	-	557,648	-	725,166	1,372,949	90,607	-
	-	-	-	562	-	52	-
	-	-	-	17,382	10,130	303	-
	-	-	-	131,870	30,753	3,957	-
	-	-	-	797,243	390,957	38,431	-
	-	-	-	2,546	-	113	-
	-	-	-	561	-	140	-
	-	-	-	-	-	-	-
	2,462,536	-	-	15,669,781	1,235,150	264,156	-
	-	-	-	1,002,993	10,265,220	-	5,663,474
	2,462,536	**1,060,769**	**-**	**34,199,716**	**65,475,709**	**2,088,574**	**5,663,474**

3.2 Disclosure of Net Receivables Based on Economic Sector-Consolidated

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

No.	Economic Sectors *)	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)
	December 31, 2017				
1	Agriculture, Hunting and Forestry	-	-	-	-
2	Fishery	-	-	-	-
3	Mining and Quarrying	-	-	-	-
4	Manufacturing	-	-	-	-
5	Electricity, Gas and Water	-	-	-	-
6	Construction	-	33,525	-	-
7	Wholesale and Retail Trading	-	-	-	-
8	Hotel and Food & Beverage	-	-	-	-
9	Transportation, Warehousing and Communications	-	-	-	-
10	Financial Intermediary	-	14,264	-	1,251,061
11	*Real Estate*, Rental and Business Services	-	-	-	-
12	Public Administration, Defense and Compulsory Social Security	162	569	-	-
13	Education Services	-	-	-	-
14	Human Health and Social Work Activities	-	-	-	-
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-
16	Activities of Households as Employers	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-
18	Undefined Activities	-	-	-	-
19	Non Business Field	805	833	-	-
20	Others	24,906,212	1,324,143	-	5,184,554
	Total	**24,907,179**	**1,373,334**	**-**	**6,435,615**
	December 31, 2016				
1	Agriculture, Hunting and Forestry	-	-	-	-
2	Fishery	-	-	-	-
3	Mining and Quarrying	-	-	-	-
4	Manufacturing	-	-	-	-
5	Electricity, Gas and Water	-	-	-	-
6	Construction	-	17,038	-	-
7	Wholesale and Retail Trading	-	-	-	-
8	Hotel and Food & Beverage	-	-	-	-
9	Transportation, Warehousing and Communications	-	-	-	-
10	Financial Intermediary	-	20,086	-	1,407,407
11	*Real Estate*, Rental and Business Services	-	-	-	-
12	Public Administration, Defense and Compulsory Social Security	662	1,097	-	-
13	Education Services	-	-	-	-
14	Human Health and Social Work Activities	-	-	-	-
15	Public, Socio-Culture, Entertainment and Other Personal Services	-	-	-	-
16	Activities of Households as Employers	-	-	-	-
17	International Institution and Other Extra International Agencies	-	-	-	-
18	Undefined Activities	-	-	-	-
19	Non Business Field	14	433	-	-
20	Others	24,977,494	1,094,610	-	5,576,925
	Total	**24,978,170**	**1,133,264**	**-**	**6,984,332**

Note:
Economic sector refers to economic sector used in the Commercial Bank Monthly Report (Laporan Bulanan Bank Umum - LBU).
Net receivables to bank without economic sector information in LBU is classified as "Financial Intermediary", while other than that is classified as "Others"

(Rp million)

	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
	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	-	-	-	969,368	2,194,836	24,060	-
	-	-	-	88,381	21,203	2,510	-
	-	-	-	81,957	566,303	811	-
	-	-	-	1,340,941	16,396,137	400,231	-
	-	-	-	46,834	33,508	415	-
	-	705,954	-	185,695	1,095,124	14,455	-
	-	-	-	8,984,538	25,849,142	994,607	-
	-	-	-	593,780	1,123,559	30,412	-
	-	-	-	878,708	3,356,765	186,866	-
	-	-	-	67,374	4,295,616	404	-
	-	539,732	-	659,798	1,293,912	42,210	-
	-	-	-	171	-	-	-
	6	-	-	13,301	16,439	334	-
	-	-	-	91,114	34,655	3,014	-
	-	-	-	545,412	268,306	28,629	-
	-	-	-	2,048	-	103	-
	-	-	-	413	-	-	-
	-	-	-	49	-	-	-
	3,355,973	-	-	42,664,019	1,726,713	707,650	-
	-	-	-	1,091,191	10,073,972	11,430	7,594,899
	3,355,979	**1,245,686**	**-**	**58,305,092**	**68,346,190**	**2,448,141**	**7,594,899**
	-	-	-	1,362,016	1,747,653	50,210	-
	-	-	-	107,431	15,694	2,894	-
	-	-	-	102,762	490,802	126,488	-
	-	-	-	1,731,482	15,156,148	265,491	-
	-	-	-	36,304	131,568	94	-
	-	503,121	-	234,173	891,695	28,910	-
	-	-	-	13,158,045	24,366,479	1,016,877	-
	-	-	-	827,136	1,069,219	40,669	-
	-	-	-	1,414,548	3,268,058	186,370	-
	-	-	-	86,655	4,333,164	8,364	-
	-	557,648	-	908,886	1,372,949	94,091	-
	-	-	-	975	-	53	-
	-	-	-	21,269	10,130	326	-
	-	-	-	134,205	30,753	3,958	-
	-	-	-	855,914	390,957	39,228	-
	-	-	-	3,355	-	215	-
	-	-	-	561	-	140	-
	-	-	-	209,721	166,215	21,737	-
	2,462,536	-	-	38,050,987	1,169,078	519,653	-
	-	-	-	1,002,994	10,265,221	-	6,468,260
	2,462,536	**1,060,769**	**-**	**60,249,419**	**64,875,783**	**2,405,768**	**6,468,260**

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

No	Portfolio Category	December 31, 2017								
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	Central Java and Yogyakarta	Bali, NTT and NTB	South Sumatra
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
1	Receivables	103,862,196	6,108,684	9,770,097	7,723,114	5,860,066	10,827,748	6,370,604	2,477,759	3,410,294
2	Impaired Receivables									
	a. Non Past Due	1,755,533	88,945	230,986	115,421	157,855	129,172	96,436	43,690	124,168
	b. Past Due	893,046	92,007	126,820	215,440	103,514	167,804	104,435	21,514	121,790
3	Allowance for Impairment Losses-Individual	868,524	1,982	14,397	623	18,645	20,365	976	92	-
4	Allowance for Impairment Losses-Collective	741,923	139,940	224,770	226,382	143,566	243,460	173,407	47,862	101,565
5	Written-Off Receivables	1,229,251	237,173	352,145	354,111	212,525	270,973	239,147	35,715	257,605

4.2. Disclosure of Receivables and Provisioning Based on Region-Consolidated

No	Portfolio Category	December 31, 2017								
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	Central Java and Yogyakarta	Bali, NTT and NTB	South Sumatra
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
1	Receivables	105,570,880	9,092,757	14,051,054	11,593,308	7,838,242	15,708,077	9,212,262	2,477,759	3,410,294
2	Impaired Receivables									
	a. Non Past Due	1,768,383	98,077	232,029	119,015	179,504	147,631	104,551	43,690	124,169
	b. Past Due	1,013,684	192,392	214,236	292,910	177,388	283,737	157,842	21,514	121,791
3	Allowance for Impairment Losses-Individual	868,524	1,982	14,397	623	18,644	20,365	977	92	-
4	Allowance for Impairment Losses-Collective	1,081,054	294,734	445,009	383,386	241,270	469,285	326,565	47,862	101,565
5	Written-Off Receivables	1,229,251	237,173	352,145	354,111	212,525	270,973	239,147	35,714	257,606

(Rp million)

		December 31, 2016									
	Total	Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	Central Java and Yogyakarta	Bali, NTT and NTB	South Sumatra	Total
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)			(18)
	156,410,562	99,447,384	6,350,480	9,893,364	7,941,619	5,806,442	10,040,868	6,901,422	2,271,327	4,150,136	152,803,042
	2,742,206	2,795,280	93,813	225,564	156,881	221,170	120,743	118,665	10,212	191,196	3,933,524
	1,846,370	785,209	125,986	239,726	290,155	160,043	168,451	205,999	34,795	221,870	2,232,234
	925,604	855,917	2,030	20,693	102	14,446	404	11,724	-	2,630	907,946
	2,042,875	814,426	172,051	287,832	292,095	174,379	265,089	215,834	40,308	198,114	2,460,128
	3,188,645	1,144,779	273,655	402,540	406,734	229,324	328,243	307,459	10,799	409,239	3,512,772

(Rp million)

		December 31, 2016									
	Total	Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	East Java	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	Central Java and Yogyakarta	Bali, NTT and NTB	South Sumatra	Total
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)			(18)
	178,954,633	101,257,842	9,202,920	14,259,722	11,773,745	7,835,622	14,759,085	9,914,950	2,271,327	4,150,137	175,425,350
	2,817,049	2,817,354	131,430	227,132	169,811	282,382	142,401	134,409	10,212	191,196	4,106,327
	2,475,494	911,826	175,494	307,781	352,922	244,138	289,719	253,694	34,795	221,870	2,792,239
	925,604	855,917	2,030	20,693	102	14,446	404	11,724	-	2,630	907,946
	3,390,730	1,114,570	307,412	502,164	435,737	265,171	473,329	364,478	40,308	198,113	3,701,282
	3,188,645	1,144,779	273,655	402,540	406,734	229,324	328,243	307,459	10,799	409,239	3,512,772

5.1. Disclosure of Receivables and Provisioning Based on Economic Sector-Bank Stand Alone

December 31, 2017 (Rp million)

No	Economic Sectors	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	3,208,149	62,167	34,829	1,620	55,905	88,343
2	Fishery	114,073	2,233	4,280	-	4,428	4,494
3	Mining and Quarrying	1,008,195	506,444	4,016	358,541	3,999	422,593
4	Manufacturing	18,275,035	82,520	392,422	110,276	216,745	244,896
5	Electricity, Gas and Water	80,902	748	557	-	1,525	-
6	Construction	2,036,425	13,789	4,578	771	24,363	11,511
7	Wholesale and Retail Trading	36,272,846	778,573	612,575	200,539	787,756	1,136,051
8	Hotel and Food & Beverage	1,773,214	86,352	41,804	1,317	43,207	68,352
9	Transportation, Warehousing and Communications	4,667,287	919,916	181,177	232,374	58,559	89,837
10	Financial Intermediary	10,965,488	70,730	6,018	-	55,366	17,653
11	Real Estate, Rental and Business Services	2,558,428	127,844	36,820	19,969	49,231	44,519
12	Public Administration, Defense and Compulsory Social Security	902	-	-	-	22	-
13	Education Services	30,245	938	489	-	528	695
14	Human Health and Social Work Activities	132,055	3,805	6,007	-	4,643	8,028
15	Public, Socio-Culture, Entertainment and Other Personal Services	868,723	28,025	50,710	-	38,439	64,828
16	Activities of Households as Employers	2,286	52	237	-	182	51
17	International Institution and Other Extra International Agencies	582	412	165	-	169	212
18	Undefined Activities	37,343	-	-	-	941	26
19	Non Business Field	21,495,416	57,658	391,942	-	651,953	981,362
20	Others	52,882,968	-	77,744	197	44,914	5,194
	Total	**156,410,562**	**2,742,206**	**1,846,370**	**925,604**	**2,042,875**	**3,188,645**

December 31, 2016 (Rp million)

No	Economic Sectors	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	2,967,008	73,901	106,700	10,347	90,593	112,565
2	Fishery	104,584	3,910	5,768	-	5,373	7,697
3	Mining and Quarrying	1,292,040	551,580	416,824	611,676	4,681	14,236
4	Manufacturing	16,980,664	633,482	118,049	37,051	215,928	359,779
5	Electricity, Gas and Water	155,613	1,159	-	-	1,554	12
6	Construction	1,586,968	33,547	5,214	122	20,742	10,480
7	Wholesale and Retail Trading	37,009,200	879,676	838,335	69,852	983,946	1,381,875
8	Hotel and Food & Beverage	1,929,338	115,462	64,255	2,532	61,339	98,421
9	Transportation, Warehousing and Communications	4,521,912	1,036,918	127,625	112,052	71,743	84,384
10	Financial Intermediary	11,493,459	73,242	26,975	-	69,816	4,129
11	Real Estate, Rental and Business Services	2,824,804	409,573	55,374	64,317	68,329	99,524
12	Public Administration, Defense and Compulsory Social Security	1,284	-	53	-	31	-
13	Education Services	28,353	1,831	806	-	927	1,786
14	Human Health and Social Work Activities	171,241	7,851	7,730	-	6,893	7,268
15	Public, Socio-Culture, Entertainment and Other Personal Services	1,266,299	43,809	67,485	-	59,485	91,438
16	Activities of Households as Employers	2,839	569	249	-	223	243
17	International Institution and Other Extra International Agencies	1,076	567	502	-	375	442
18	Undefined Activities	57,335	-	-	-	1,628	43
19	Non Business Field	19,748,676	66,421	389,789	-	755,084	1,231,195
20	Others	50,660,349	26	501	-	41,433	7,255
	Total	**152,803,042**	**3,933,524**	**2,232,234**	**907,946**	**2,460,128**	**3,512,772**

5.2. Disclosure of Receivables and Provisioning Based on Economic Sector-Consolidated

December 31, 2017 (Rp million)

No	Economic Sectors	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	3,480,397	65,790	42,288	1,620	63,949	88,343
2	Fishery	141,066	2,486	4,711	-	5,250	4,494
3	Mining and Quarrying	1,062,076	507,774	5,611	358,541	5,583	422,593
4	Manufacturing	18,485,885	85,200	400,171	110,276	223,660	244,896
5	Electricity, Gas and Water	101,513	748	844	-	2,126	-
6	Construction	2,139,989	14,442	7,186	771	27,307	11,511
7	Wholesale and Retail Trading	37,872,832	797,770	680,626	200,539	840,643	1,136,051
8	Hotel and Food & Beverage	1,822,537	87,430	43,615	1,317	44,830	68,352
9	Transportation, Warehousing and Communications	5,123,389	928,467	200,920	232,374	71,636	89,837
10	Financial Intermediary	11,328,919	70,730	6,298	-	55,599	17,653
11	Real Estate, Rental and Business Services	2,747,802	129,377	42,455	19,969	55,560	44,519
12	Public Administration, Defense and Compulsory Social Security	2,176	-	-	-	60	-
13	Education Services	34,183	938	489	-	638	695
14	Human Health and Social Work Activities	134,680	3,805	6,019	-	4,728	8,028
15	Public, Socio-Culture, Entertainment and Other Personal Services	907,113	28,576	52,776	-	39,705	64,828
16	Activities of Households as Employers	3,410	52	255	-	230	51
17	International Institution and Other Extra International Agencies	582	412	165	-	169	212
18	Undefined Activities	247,821	7,478	6,533	-	7,563	26
19	Non Business Field	45,483,226	85,574	896,788	-	1,896,580	981,362
20	Others	47,835,037	-	77,744	197	44,914	5,194
	Total	**178,954,633**	**2,817,049**	**2,475,494**	**925,604**	**3,390,730**	**3,188,645**

December 31, 2016 (Rp million)

No	Economic Sectors	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	3,226,282	81,731	115,699	10,347	98,096	112,565
2	Fishery	129,439	4,060	6,231	-	6,157	7,697
3	Mining and Quarrying	1,332,810	553,454	417,616	611,676	5,798	14,236
4	Manufacturing	17,215,663	638,272	125,374	37,051	223,512	359,779
5	Electricity, Gas and Water	167,975	1,159	97	-	1,905	12
6	Construction	1,677,453	34,991	8,645	122	23,529	10,480
7	Wholesale and Retail Trading	39,071,161	920,089	908,913	69,852	1,049,439	1,381,875
8	Hotel and Food & Beverage	1,976,377	116,039	65,906	2,532	62,791	98,421
9	Transportation, Warehousing and Communications	5,004,673	1,053,936	155,750	112,052	86,974	84,384
10	Financial Intermediary	11,890,726	73,242	26,998	-	70,100	4,129
11	Real Estate, Rental and Business Services	3,012,609	413,616	61,083	64,314	73,981	99,524
12	Public Administration, Defense and Compulsory Social Security	2,789	-	54	-	79	-
13	Education Services	32,265	1,831	819	-	1,043	1,786
14	Human Health and Social Work Activities	173,577	7,851	7,731	-	6,962	7,268
15	Public, Socio-Culture, Entertainment and Other Personal Services	1,325,957	45,500	69,952	-	61,192	91,438
16	Activities of Households as Employers	3,756	662	354	-	247	243
17	International Institution and Other Extra International Agencies	1,076	567	502	-	375	442
18	Undefined Activities	458,081	2,993	27,189	-	14,853	43
19	Non Business Field	42,500,750	156,308	792,825	-	1,872,817	1,231,195
20	Others	46,221,931	26	501	-	41,432	7,255
	Total	**175,425,350**	**4,106,327**	**2,792,239**	**907,946**	**3,701,282**	**3,512,772**

6.1 Disclosure of Movements Details of Allowances for Impairment Losses-Bank Stand Alone

(Rp million)

No	Description	December 31, 2017		December 31, 2016	
		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	907,946	2,460,128	785,704	2,583,308
2	Additional/reversal allowance for impairment losses during the year (net)	938,528	1,009,100	759,224	2,203,700
3	Allowance for impairment losses used to cover written off receivables during the year	(1,066,616)	(2,122,029)	(633,830)	(2,878,942)
4	Other additional (reversal) allowance during the year	145,746	695,676	(3,152)	552,062
Ending Balance of Allowance for Impairment Losses		**925,604**	**2,042,875**	**907,946**	**2,460,128**

6.2. Disclosure of Movements Details of Allowances for Impairment Losses-Consolidated

(Rp million)

No	Description	December 31, 2017		December 31, 2016	
		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	907,946	3,701,282	785,704	3,699,100
2	Additional/reversal allowance for impairment losses during the year (net)	938,528	2,665,027	759,224	3,852,590
3	Allowance for impairment losses used to cover written off receivables during the year	(1,066,616)	(3,671,255)	(633,830)	(4,402,470)
4	Other additional (reversal) allowance during the year	145,746	695,676	(3,152)	552,062
Ending Balance of Allowance for Impairment Losses		**925,604**	**3,390,730**	**907,946**	**3,701,282**

Credit Risk Measurement using Standardized Approach

The Risk Weighted Assets (RWA) calculation for Credit Risk, Danamon applies the Standardized Approach, which is comply with OJK regulation, the OJK Circular Letter No. 42/SEOJK.03/2016 regarding Calculation Guideline of Credit Risk Weighted Assets (RWA) based on Standardize Approach.

7.1 Disclosure of Net Receivables based on Portfolio Categories and Ratings-Bank Stand Alone

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

December 31, 2017

	Portfolio Category	Company Rating	Long Term Rating			
		Standard and Poor's	AAA	AA+ s.d AA-	A+ s.d A-	BBB+ s.d BBB-
		Fitch Rating	AAA	AA+ s.d AA-	A+ s.d A-	BBB+ s.d BBB-
		Moody's	Aaa	Aa1 s.d Aa3	A1 s.d A3	Baa1 s.d Baa3
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) s.d AA-(idn)	A+(idn) s.d. A-(idn)	BBB+(idn) s.d BBB-(idn)
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ s.d idAA-	idA+ s.d id A-	id BBB+ s.d id BBB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivables on Sovereigns		-	-	-	12,261,072
2	Receivables on Public Sector Entities		184,463	20,309	-	174,430
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		1,197,123	61,683	-	330,842
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		1,192,740	653,750	238,861	-
10	Past Due Receivables					
11	Other Assets					
	TOTAL		2,574,326	735,742	238,861	12,766,344

December 31, 2016

	Portfolio Category	Company Rating	Long Term Rating			
		Standard and Poor's	AAA	AA+ s.d AA-	A+ s.d A-	BBB+ s.d BBB-
		Fitch Rating	AAA	AA+ s.d AA-	A+ s.d A-	BBB+ s.d BBB-
		Moody's	Aaa	Aa1 s.d Aa3	A1 s.d A3	Baa1 s.d Baa3
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) s.d AA-(idn)	A+(idn) s.d. A-(idn)	BBB+(idn) s.d BBB-(idn)
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ s.d idAA-	idA+ s.d id A-	id BBB+ s.d id BBB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivables on Sovereigns		-	-	-	14,662,634
2	Receivables on Public Sector Entities		40,815	119,146	-	75,843
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		1,354,903	151,146	-	486,272
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		775,716	428,290	447,766	60,845
10	Past Due Receivables					
11	Other Assets					
	TOTAL		2,171,434	698,582	447,766	15,285,594

(Rp million)

Net Receivables									
				Short Term Rating					
	BB+ s.d BB-	B+ s.d B-	Less than B-	A-1	A-2	A-3	Less than A-3	Unrated	Total
	BB+ s.d BB-	B+ s.d B-	Less than B-	F1+ s.d F1	F2	F3	Less than F3		
	Ba1 s.d Ba3	B1 s.d B3	Less than B3	P-1	P-2	P-3	Less than P-3		
	BB+(idn) s.d BB-(idn)	B+(idn) s.d B-(idn)	Less than B-(idn)	F1+(idn) s.d F1(idn)	F2(idn)	F3(idn)	Less than F3(idn)		
	id BB+ s.d id BB-	id B+ s.d id B-	Less than idB-	idA1	idA2	idA3 s.d id A4	Less than idA4		
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	-	-	-	-	-	-	-	12,645,444	24,906,516
	-	-	-	-	-	-	-	993,516	1,372,718
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	4,357,531	5,947,179
								3,353,982	3,353,982
								1,245,686	1,245,686
								-	-
								31,818,071	31,818,071
	-	-	-	-	-	-	-	66,900,416	68,985,767
								2,035,269	2,035,269
								6,755,934	6,755,934
	-	-	-	-	-	-	-	130,105,849	146,421,122

(Rp million)

Net Receivables									
				Short Term Rating					
	BB+ s.d BB-	B+ s.d B-	Less than B-	A-1	A-2	A-3	Less than A-3	Unrated	Total
	BB+ s.d BB-	B+ s.d B-	Less than B-	F1+ s.d F1	F2	F3	Less than F3		
	Ba1 s.d Ba3	B1 s.d B3	Less than B3	P-1	P-2	P-3	Less than P-3		
	BB+(idn) s.d BB-(idn)	B+(idn) s.d B-(idn)	Less than B-(idn)	F1+(idn) s.d F1(idn)	F2(idn)	F3(idn)	Less than F3(idn)		
	id BB+ s.d id BB-	id B+ s.d id B-	Less than idB-	idA1	idA2	idA3 s.d id A4	Less than idA4		
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	-	-	-	-	-	-	-	10,315,207	24,977,841
	-	-	-	-	-	-	-	896,460	1,132,264
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	4,427,833	6,420,154
								2,462,536	2,462,536
								1,060,769	1,060,769
								-	-
								34,199,716	34,199,716
	-	-	-	-	-	-	-	63,763,092	65,475,709
								2,088,574	2,088,574
								5,663,474	5,663,474
	-	-	-	-	-	-	-	124,877,661	143,481,037

7.2 Disclosure of Net Receivables based on Portfolio Categories and Ratings-Consolidated

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

December 31, 2017

	Portfolio Category	Company Rating	Long Term Rating			
		Standard and Poor's	AAA	AA+ s.d AA-	A+ s.d A-	BBB+ s.d BBB-
		Fitch Rating	AAA	AA+ s.d AA-	A+ s.d A-	BBB+ s.d BBB-
		Moody's	Aaa	Aa1 s.d Aa3	A1 s.d A3	Baa1 s.d Baa3
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) s.d AA- (idn)	A+(idn) s.d. A-(idn)	BBB+(idn) s.d BBB-(idn)
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ s.d idAA-	idA+ s.d id A-	id BBB+ s.d id BBB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivables on Sovereigns		-	-	-	12,261,073
2	Receivables on Public Sector Entities		184,463	20,309	-	174,430
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		1,197,123	61,683	-	330,842
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		1,192,740	653,750	238,861	-
10	Past Due Receivables					
11	Other Assets					
	TOTAL		2,574,326	735,742	238,861	12,766,345

December 31, 2016

	Portfolio Category	Company Rating	Long Term Rating			
		Standard and Poor's	AAA	AA+ s.d AA-	A+ s.d A-	BBB+ s.d BBB-
		Fitch Rating	AAA	AA+ s.d AA-	A+ s.d A-	BBB+ s.d BBB-
		Moody's	Aaa	Aa1 s.d Aa3	A1 s.d A3	Baa1 s.d Baa3
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) s.d AA- (idn)	A+(idn) s.d. A-(idn)	BBB+(idn) s.d BBB-(idn)
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ s.d idAA-	idA+ s.d id A-	id BBB+ s.d id BBB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Receivables on Sovereigns		-	-	-	14,662,635
2	Receivables on Public Sector Entities		40,815	119,146	-	75,843
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-
4	Receivables on Banks		1,354,903	151,146	-	486,272
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		775,716	428,290	447,766	60,845
10	Past Due Receivables					
11	Other Assets					
	TOTAL		2,171,434	698,582	447,766	15,285,595

(Rp million)

Net Receivables									
				Short Term Rating				Unrated	Total
	BB+ s.d BB-	B+ s.d B-	Less than B-	A-1	A-2	A-3	Less than A-3		
	BB+ s.d BB-	B+ s.d B-	Less than B-	F1+ s.d F1	F2	F3	Less than F3		
	Ba1 s.d Ba3	B1 s.d B3	Less than B3	P-1	P-2	P-3	Less than P-3		
	BB+(idn) s.d BB-(idn)	B+(idn) s.d B-(idn)	Less than B-(idn)	F1+(idn) s.d F1(idn)	F2(idn)	F3(idn)	Less than F3(idn)		
	id BB+ s.d id BB-	id B+ s.d id B-	Less than idB-	idA1	idA2	idA3 s.d id A4	Less than idA4		
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	-	-	-	-	-	-	-	12,646,106	24,907,179
	-	-	-	-	-	-	-	994,132	1,373,334
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	4,845,967	6,435,615
								3,355,979	3,355,979
								1,245,686	1,245,686
								-	-
								58,305,092	58,305,092
	-	-	-	-	-	-	-	66,260,839	68,346,190
								2,448,141	2,448,141
								7,594,899	7,594,899
	-	-	-	-	-	-	-	157,696,841	174,012,115

(Rp million)

Net Receivables									
				Short Term Rating				Unrated	Total
	BB+ s.d BB-	B+ s.d B-	Less than B-	A-1	A-2	A-3	Less than A-3		
	BB+ s.d BB-	B+ s.d B-	Less than B-	F1+ s.d F1	F2	F3	Less than F3		
	Ba1 s.d Ba3	B1 s.d B3	Less than B3	P-1	P-2	P-3	Less than P-3		
	BB+(idn) s.d BB-(idn)	B+(idn) s.d B-(idn)	Less than B-(idn)	F1+(idn) s.d F1(idn)	F2(idn)	F3(idn)	Less than F3(idn)		
	id BB+ s.d id BB-	id B+ s.d id B-	Less than idB-	idA1	idA2	idA3 s.d id A4	Less than idA4		
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	-	-	-	-	-	-	-	10,315,535	24,978,170
	-	-	-	-	-	-	-	897,460	1,133,264
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	4,992,011	6,984,332
								2,462,536	2,462,536
								1,060,769	1,060,769
								-	-
								60,249,419	60,249,419
	-	-	-	-	-	-	-	63,163,166	64,875,783
								2,405,768	2,405,768
								6,468,260	6,468,260
	-	-	-	-	-	-	-	152,014,924	170,618,301

Credit Risk Due to Failure of Counterparty

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

- Transactions influenced by the movement of fair value or market value.
- Fair value of transaction is influenced by movements of certain market variables.
- Transactions resulting the exchange of cash flows or financial instruments.
- Bilateral in nature.

One of the transactions which may incite credit risk due to the counterparty's failure is Over The Counter (OTC) derivative and repo/reverse repo transactions, for positions in both the Trading Book and Banking Book.

For both Repo and Reverse Repo transactions, the Bank refers to OJK Circular Letter No. 42/SEOJK.03/2016 regarding Guidelines on Risk Weighted Assets calculation for Credit Risk, based on a Standardized Approach. For Repo Transactions, Danamon records a positive difference between the net carrying values of securities as the underlying repo with carrying values of the obligated repo. Net carrying value is the value recorded after deducting loan loss provisions (CKPN) from securities. As for Reverse Repo Transactions, the Bank recorded reverse repo receivables after deducting the CKPN from receivables.

The following table details the disclosure of counterparty credit risk.

8.1.a and 8.2.a Disclosure of counterparty credit risk: Derivative Transactions Over the Counter

(Rp million)

No	Underlying Variables	December 31, 2017							
		Notional Amount			Derivative Receivables	Derivative Payables	Net Receivables before CRM	CRM	Net Receivables after CRM
		≤1 year	>1 year-≤5 years	>5 years					
BANK STAND ALONE									
1	Interest Rate	277,817	463,821	-	15	-	2,334	-	2,334
2	Exchange Rate	12,738,027	463,821	-	18,210	15,732	168,781	-	168,781
3	Others	-	-	-	-	-	-	-	-
	TOTAL	13,015,844	927,642	-	18,225	15,732	171,115	-	171,115
CONSOLIDATED									
1	Interest Rate	3,477,486	2,295,434	-	15	-	11,492	-	11,492
2	Exchange Rate	15,937,696	2,295,434	-	103,891	22,939	378,039	-	378,039
3	Shares	-	-	-	-	-	-	-	-
4	Gold	-	-	-	-	-	-	-	-
5	Metal other than Gold	-	-	-	-	-	-	-	-
6	Others	-	-	-	-	-	-	-	-
	TOTAL	19,415,182	4,590,868	-	103,906	22,939	389,531	-	389,531

(Rp million)

No	Underlying Variables	December 31, 2016							
		Notional Amount			Derivative Receivables	Derivative Payables	Net Receivables before CRM	CRM	Net Receivables after CRM
		≤1 year	>1 year-≤5 years	>5 years					
BANK STAND ALONE									
1	Interest Rate	202,088	487,211	-	155	-	2,591	-	2,591
2	Exchange Rate	6,508,748	459,816	-	39,369	49,468	127,448	-	127,448
3	Others	-	-	-	-	-	-	-	-
	TOTAL	**6,710,836**	**947,027**	**-**	**39,524**	**49,468**	**130,039**	**-**	**130,039**
CONSOLIDATED									
1	Interest Rate	1,279,888	3,484,842	-	155	-	17,579	-	17,579
2	Exchange Rate	7,586,548	3,457,447	-	258,968	49,468	507,707	-	507,707
3	Shares	-	-	-	-	-	-	-	-
4	Gold	-	-	-	-	-	-	-	-
5	Metal other than Gold	-	-	-	-	-	-	-	-
6	Others	-	-	-	-	-	-	-	-
	TOTAL	**8,866,436**	**6,942,289**	**-**	**259,123**	**49,468**	**525,286**	**-**	**525,286**

8.1.b Disclosure of counterparty credit risk: Repo transactions-Bank Stand Alone

(Rp million)

No	Portfolio Category	December 31, 2017				December 31, 2016			
		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	-	10,434	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
	TOTAL	**-**	**10,434**	**-**	**-**	**-**	**-**	**-**	**-**

8.2.b Disclosure of counterparty credit risk: Repo transactions-Consolidated

(Rp million)

No	Portfolio Category	December 31, 2017				December 31, 2016			
		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	-	10,434	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
	TOTAL	-	10,434	-	-	-	-	-	-

8.1.c Disclosure of counterparty credit risk: Reverse Repo transactions-Bank Stand Alone

(Rp million)

No	Portfolio Category	December 31, 2017				December 31, 2016			
		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	298,699	-	298,699	-	-	-	-	-
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	-	-	-	-	-	-	-	-
	TOTAL	298,699	-	298,699	-	-	-	-	-

8.2.c Disclosure of counterparty credit risk: Reverse Repo transactions-Consolidated

(Rp million)

No	Portfolio Category	December 31, 2017				December 31, 2016			
		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	298,699	-	298,699	-	-	-	-	-
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	-	-	-	-	-	-	-	-
	TOTAL	298,699	-	298,699	-	-	-	-	-

CREDIT RISK MITIGATION DISCLOSURE

Danamon has determined the collateral as one of credit risk mitigation techniques. However, Danamon does not consider the collateral as a sole basis of credit decision making nor as a main source of loan repayment. The purpose of credit risk mitigation is as follows:

a. To limit the risk of losses when the debtor can not meet their obligation to the Bank.
b. To protect the unexpected risk and risk inherent to credit exposure in the future.

The acceptable collateral according to the collateral policy which have been approved by Danamon are as follows:

a. Cash and cash equivalent
b. Government and Bank Indonesia Securities
c. Standby L/C of prime bank
d. Land and building
e. Machinery
f. Personnel guarantee
g. Corporate guarantee

Collateral valuation should be done in the credit initiation process. The revaluation is conducted at certain period in accordance to the collateral requirement as PPA deduction. For collateral of PPA deduction, the collateral valuation for credit facilities more than Rp5 billion is conducted by an external appraiser, who is independent, has good qualification, certified and does not have any relationship with the debtor. External appraiser should be appointed by Danamon.

The collateral valuation can be conducted by internal appraisers. Danamon ensure that the appraisers have the knowledge, education and experience on collateral valuation and appraisers do not have any relationship with the debtor. The assessment results are properly documented in the Credit file.

Credit Risk Mitigation Methods for Standardized Approach

To calculate credit risk mitigation as RWA deductions (Credit Risk), Danamon uses the MRK (Credit Risk Mitigation) - collateral. The eligible financial collateral must comply with regulations i.e, cash, savings, current accounts, savings deposits, security deposits, gold and securities that have certain criteria which set by OJK/Bank Indonesia.

9.1 Disclosure of Net Receivables Based on Risk Weighted Assets After Calculating Credit Risk Mitigation Impacts-Bank Stand Alone

No.	Portfolio Category	December 31, 2017										RWA
		Net Receivables After Calculating Credit Risk Mitigation Impacts										
		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	Receivables on Sovereigns	24,607,817	-	-	-	-	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	204,772	-	-	-	1,166,509	-	-	-	-	624,209
3	Receivables on Multilateral Development Banks and International Institutions	-									-	-
4	Receivables on Banks	11,450	3,330,175	-	-	-	2,457,142	-	-	-	-	1,894,606
5	Loans Secured by Residential Property	-	-	3,353,680	-	-	-	-	-	-	-	1,173,788
6	Loans Secured by Commercial Real Estate	122,063	-	-	-	-	-	-	1,123,623	-	-	1,123,623
7	Employee/Pensioner Loans	-	-	-	-	-	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	80,336	-	-	-	-	-	30,804,277	-	-	-	23,103,208
9	Receivables on Corporate	1,592,893	1,846,491	-	-	-	238,861	-	62,490,064	-	-	62,978,792
10	Past Due Receivables	13,000	-	-	-	-	-	-	77,941	1,944,328	-	2,994,434
11	Other Assets	2,325,799	-	-	-	-	-	-	3,915,896	514,239	-	4,687,252
	Total Exposure on Balance Sheet	**28,753,358**	**5,381,438**	**3,353,680**	**-**	**-**	**3,862,512**	**30,804,277**	**67,607,524**	**2,458,567**	**-**	**98,579,912**
B	Commitments/Contingencies Exposure for Off Balance Sheet Transactions											
1	Receivables on Sovereigns	-	-	-	-	-	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	1,437	-	-	-	-	719
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-	-	-
4	Receivables on Banks	-	6,784	-	-	-	2,500	-	-	-	-	2,607
5	Loans Secured by Residential Property	-	-	302	-	-	-	-	-	-	-	106
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	21,961	-	-	-	-	-	884,787	-	-	-	663,590
9	Receivables on Corporate	106,929	-	-	-	-	-	-	2,705,252	-	-	2,705,252
10	Past Due Receivables	-	-	-	-	-	-	-	-	-	-	-
	Total Commitments/ Contingencies Exposure for Off Balance Sheet Transactions	**128,890**	**6,784**	**302**	**-**	**-**	**3,937**	**884,787**	**2,705,252**	**-**	**-**	**3,372,274**
C	Exposure on Counterparty Credit Risk											
1	Receivables on Sovereigns	298,699	-	-	-	-	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-	-	-
4	Receivables on Banks	-	104,770	-	-	-	34,359	-	-	-	-	38,133
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-	26,709	-	-	-	20,032
6	Receivables on Corporate	-	-	-	-	-	-	-	5,277	-	-	5,277
	Total Counterparty Credit Risk Exposures	**298,699**	**104,770**	**-**	**-**	**-**	**34,359**	**26,709**	**5,277**	**-**	**-**	**63,442**

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.

(Rp million)

Capital Charge (9% x RWA)	December 31, 2016										RWA	Capital Charge (9% x RWA)
	Net Receivables After Calculating Credit Risk Mitigation Impacts											
	0%	20%	35%	40%	45%	50%	75%	100%	150%	Others		
(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
-	24,957,966	-	-	-	-	-	-	-	-	-	-	-
56,179	43	159,960	-	-	-	941,949	-	-	-	-	502,967	45,267
-	-	-	-	-	-	-	-	-	-	-	-	-
170,515	1,922	3,347,214	-	-	-	2,996,486	-	-	-	-	2,167,686	195,092
105,641	-	-	2,461,677	-	-	-	-	-	-	-	861,587	77,543
101,126	89,691	-	-	-	-	-	-	971,078	-	-	971,078	87,397
-	-	-	-	-	-	-	-	-	-	-	-	-
2,079,289	90,208	-	-	-	-	-	33,230,101	-	-	-	24,922,575	2,243,032
5,668,091	1,758,967	1,204,007	-	-	-	447,766	-	59,231,421	-	-	59,696,105	5,372,649
269,499	-	-	-	-	-	-	-	58,825	2,029,749	-	3,103,448	279,310
421,853	2,072,614	-	-	-	-	-	-	3,452,871	137,989	-	3,659,855	329,387
8,872,193	**28,971,411**	**4,711,181**	**2,461,677**	**-**	**-**	**4,386,201**	**33,230,101**	**63,714,195**	**2,167,738**	**-**	**95,885,301**	**8,629,677**
-	-	-	-	-	-	-	-	-	-	-	-	-
65	-	-	-	-	-	30,312	-	-	-	-	15,156	1,364
-	-	-	-	-	-	-	-	-	-	-	-	-
235	-	2,627	-	-	-	2,500	-	-	-	-	1,775	160
10	-	-	859	-	-	-	-	-	-	-	301	27
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
59,723	26,803	-	-	-	-	-	843,426	-	-	-	632,569	56,931
243,473	134,822	-	-	-	-	-	-	2,667,145	-	-	2,667,146	240,043
-	-	-	-	-	-	-	-	-	-	-	-	-
303,506	**161,625**	**2,627**	**859**	**-**	**-**	**32,812**	**843,426**	**2,667,145**	**-**	**-**	**3,316,947**	**298,525**
-	19,875	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
3,432	-	37,455	-	-	-	31,950	-	-	-	-	23,466	2,112
1,803	-	-	-	-	-	-	9,178	-	-	-	6,883	619
475	-	-	-	-	-	-	-	31,581	-	-	31,581	2,842
5,710	**19,875**	**37,455**	**-**	**-**	**-**	**31,950**	**9,178**	**31,581**	**-**	**-**	**61,930**	**5,573**

9.2 Disclosure of Net Receivables Based on Risk Weighted Assets After Calculating Credit Risk Mitigation Impacts-Consolidated

No.	Portfolio Category	December 31, 2017										RWA
		Net Receivables After Calculating Credit Risk Mitigation Impacts										
		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	Receivables on Sovereigns	24,608,480	-	-	-	-	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	204,771	-	-	-	1,167,126	-	-	-	-	624,517
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-	-	-
4	Receivables on Banks	11,450	3,600,194	-	-	-	2,457,142	-	-	-	-	1,948,610
5	Loans Secured by Residential Property	-	-	3,355,677	-	-	-	-	-	-	-	1,174,487
6	Loans Secured by Commercial Real Estate	122,063	-	-	-	-	-	-	1,123,623	-	-	1,123,623
7	Employee/Pensioner Loans	-	-	-	-	-	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	80,336	-	-	-	-	-	57,291,298	-	-	-	42,968,473
9	Receivables on Corporate	1,592,894	1,838,161	-	-	-	238,861	-	61,858,816	-	-	62,345,878
10	Past Due Receivables	13,000	-	-	-	-	-	-	77,941	2,357,200	-	3,613,742
11	Other Assets	2,546,272	-	-	-	-	-	-	4,534,388	514,239	-	5,305,747
	Total Exposure on Balance Sheet	**28,974,495**	**5,643,126**	**3,355,677**	**-**	**-**	**3,863,129**	**57,291,298**	**67,594,768**	**2,871,439**	**-**	**119,105,077**
B	**Commitments/Contingencies Exposure for Off Balance Sheet Transactions**											
1	Receivables on Sovereigns	-	-	-	-	-	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	1,437	-	-	-	-	719
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-	-	-
4	Receivables on Banks	-	6,784	-	-	-	2,500	-	-	-	-	2,607
5	Loans Secured by Residential Property	-	-	302	-	-	-	-	-	-	-	106
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	21,961	-	-	-	-	-	884,787	-	-	-	663,590
9	Receivables on Corporate	106,929	-	-	-	-	-	-	2,705,252	-	-	2,705,252
10	Past Due Receivables	-	-	-	-	-	-	-	-	-	-	-
	Total Commitments/ Contingencies Exposure for Off Balance Sheet Transactions	**128,890**	**6,784**	**302**	**-**	**-**	**3,937**	**884,787**	**2,705,252**	**-**	**-**	**3,372,274**
C	**Exposure on Counterparty Credit Risk**											
1	Receivables on Sovereigns	298,699	-	-	-	-	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-	-	-	-	-	-
4	Receivables on Banks	-	104,770	-	-	-	252,775	-	-	-	-	147,341
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-	26,709	-	-	-	20,032
6	Receivables on Corporate	-	-	-	-	-	-	-	5,277	-	-	5,277
Total Counterparty Credit Risk Exposures		**298,699**	**104,770**	**-**	**-**	**-**	**252,775**	**26,709**	**5,277**	**-**	**-**	**172,650**

(Rp million)

	Capital Charge (9% x RWA)	December 31, 2016*) Net Receivables After Calculating Credit Risk Mitigation Impacts										RWA	Capital Charge (9% x RWA)
		0%	20%	35%	40%	45%	50%	75%	100%	150%	Others		
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
	-	24,958,295	-	-	-	-	-	-	-	-	-	-	-
	56,207	43	159,960	-	-	-	942,949	-	-	-	-	503,467	45,312
	-	-	-	-	-	-	-	-	-	-	-	-	-
	175,375	1,922	3,516,145	-	-	-	2,996,486	-	-	-	-	2,201,472	198,133
	105,704	-	-	2,461,677	-	-	-	-	-	-	-	861,587	77,543
	101,126	89,691	-	-	-	-	-	-	971,078	-	-	971,078	87,397
	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,867,163	90,208	-	-	-	-	-	59,279,804	-	-	-	44,459,853	4,001,387
	5,611,129	1,758,967	1,133,323	-	-	-	447,766	-	58,702,180	-	-	59,152,727	5,323,745
	325,237	-	-	-	-	-	-	-	58,825	2,346,943	-	3,579,240	322,132
	477,517	2,264,928	-	-	-	-	-	-	4,065,343	137,989	-	4,272,326	384,509
	10,719,458	**29,164,054**	**4,809,427**	**2,461,677**	**-**	**-**	**4,387,201**	**59,279,804**	**63,797,426**	**2,484,932**	**-**	**116,001,750**	**10,440,158**
	-	-	-	-	-	-	-	-	-	-	-	-	-
	65	-	-	-	-	-	30,312	-	-	-	-	15,156	1,364
	-	-	-	-	-	-	-	-	-	-	-	-	-
	235	-	2,627	-	-	-	2,500	-	-	-	-	1,775	160
	10	-	-	859	-	-	-	-	-	-	-	301	27
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	59,723	26,803	-	-	-	-	-	843,426	-	-	-	632,569	56,931
	243,473	134,822	-	-	-	-	-	-	2,667,145	-	-	2,667,146	240,043
	-	-	-	-	-	-	-	-	-	-	-	-	-
	303,506	**161,625**	**2,627**	**859**	**-**	**-**	**32,812**	**843,426**	**2,667,145**	**-**	**-**	**3,316,947**	**298,525**
	-	19,875	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	13,261	-	37,455	-	-	-	427,197	-	-	-	-	221,090	19,898
	1,803	-	-	-	-	-	-	9,178	-	-	-	6,883	619
	475	-	-	-	-	-	-	-	31,581	-	-	31,581	2,842
	15,539	**19,875**	**37,455**	**-**	**-**	**-**	**427,197**	**9,178**	**31,581**	**-**	**-**	**259,554**	**23,359**

Tabel 10.1 Disclosure of Net Receivables and Credit Risk Mitigation Techniques-Bank Stand Alone

No.	Portfolio Category	December 31, 2017					
		Net Receivables	Exposure which is Secured by				Unsecured Exposure
			Collateral	Guarantee	Credit Insurance	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3)-[(4)+(5)+(6)+(7)]
A	Exposure on Balance Sheet						
1	Receivables on Sovereigns	24,607,817	-	-	-	-	24,607,817
2	Receivables on Public Sector Entities	1,371,281	-	-	-	-	1,371,281
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	5,798,767	11,450	-	-	-	5,787,317
5	Loans Secured by Residential Property	3,353,680	-	-	-	-	3,353,680
6	Loans Secured by Commercial Real Estate	1,245,686	122,063	-	-	-	1,123,623
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	30,884,613	80,336	-	-	-	30,804,277
9	Receivables on Corporate	66,168,309	1,592,893	-	-	-	64,575,416
10	Past Due Receivables	2,035,269	13,000	-	-	-	2,022,269
11	Other Assets	6,755,934	-	-	-	-	6,755,934
	Total Exposure on Balance Sheet	**142,221,356**	**1,819,742**	**-**	**-**	**-**	**140,401,614**
B	Commitments/Contingencies Exposure for Off Balance Sheet Transactions						
1	Receivables on Sovereigns	-	-	-	-	-	-
2	Receivables on Public Sector Entities	1,437	-	-	-	-	1,437
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	9,284	-	-	-	-	9,284
5	Loans Secured by Residential Property	302	-	-	-	-	302
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	906,748	21,961	-	-	-	884,787
9	Receivables on Corporate	2,812,181	106,929	-	-	-	2,705,252
10	Past Due Receivables	-	-	-	-	-	-
	Total Commitments/Contingencies Exposure for Off Balance Sheet Transactions	**3,729,952**	**128,890**	**-**	**-**	**-**	**3,601,062**
C	Exposure on Counterparty Credit Risk						
1	Receivables on Sovereigns	298,699	-	-	-	-	298,699
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	139,129	-	-	-	-	139,129
5	Receivables on Micro, Small Business & Retail Portfolio	26,709	-	-	-	-	26,709
6	Receivables on Corporate	5,277	-	-	-	-	5,277
	Total Eksposur Counterparty Credit Risk	**469,814**	**-**	**-**	**-**	**-**	**469,814**
Total (A+B+C)		**146,421,122**	**1,948,632**	**-**	**-**	**-**	**144,472,490**

(Rp million)

	December 31, 2016					
	Net Receivables	Exposure which is Secured by				Unsecured Exposure
		Collateral	Guarantee	Credit Insurance	Others	
	(9)	(10)	(11)	(12)	(13)	(14) = (9)-[(10)+(11)+(12)+(13)]
	24,957,966	-	-	-	-	24,957,966
	1,101,952	43	-	-	-	1,101,909
	-	-	-	-	-	-
	6,345,622	1,922	-	-	-	6,343,700
	2,461,677	-	-	-	-	2,461,677
	1,060,769	89,691	-	-	-	971,078
	-	-	-	-	-	-
	33,320,309	90,208	-	-	-	33,230,101
	62,642,161	1,758,967	-	-	-	60,883,194
	2,088,574	-	-	-	-	2,088,574
	5,663,474	-	-	-	-	5,663,474
	139,642,504	**1,940,831**	**-**	**-**	**-**	**137,701,673**
	-	-	-	-	-	-
	30,312	-	-	-	-	30,312
	-	-	-	-	-	-
	5,127	-	-	-	-	5,127
	859	-	-	-	-	859
	-	-	-	-	-	-
	-	-	-	-	-	-
	870,229	26,803	-	-	-	843,426
	2,801,967	134,822	-	-	-	2,667,145
	-	-	-	-	-	-
	3,708,494	**161,625**	**-**	**-**	**-**	**3,546,869**
	19,875	-	-	-	-	19,875
	-	-	-	-	-	-
	-	-	-	-	-	-
	69,405	-	-	-	-	69,405
	9,178	-	-	-	-	9,178
	31,581	-	-	-	-	31,581
	130,039	**-**	**-**	**-**	**-**	**130,039**
	143,481,037	**2,102,456**	**-**	**-**	**-**	**141,378,581**

10.2 Disclosure of Net Receivables and Credit Risk Mitigation Techniques-Consolidated

No.	Portfolio Category	December 31, 2017					
		Net Receivables	Exposure which is Secured by				Unsecured Exposure
			Collateral	Guarantee	Credit Insurance	Others	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (3)-[(4)+(5)+(6)+(7)]
A	Exposure on Balance Sheet						
1	Receivables on Sovereigns	24,608,480	-	-	-	-	24,608,480
2	Receivables on Public Sector Entities	1,371,897	-	-	-	-	1,371,897
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	6,068,786	11,450	-	-	-	6,057,336
5	Loans Secured by Residential Property	3,355,677	-	-	-	-	3,355,677
6	Loans Secured by Commercial Real Estate	1,245,686	122,063	-	-	-	1,123,623
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	57,371,635	80,336	-	-	-	57,291,299
9	Receivables on Corporate	65,528,732	1,592,893	-	-	-	63,935,839
10	Past Due Receivables	2,448,141	13,000	-	-	-	2,435,141
11	Other Assets	7,594,899	-	-	-	-	7,594,899
	Total Exposure on Balance Sheet	**169,593,933**	**1,819,742**	**-**	**-**	**-**	**167,774,191**
B	Commitments/Contingencies Exposure for Off Balance Sheet Transactions						
1	Receivables on Sovereigns	-	-	-	-	-	-
2	Receivables on Public Sector Entities	1,437	-	-	-	-	1,437
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	9,284	-	-	-	-	9,284
5	Loans Secured by Residential Property	302	-	-	-	-	302
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	906,748	21,961	-	-	-	884,787
9	Receivables on Corporate	2,812,181	106,929	-	-	-	2,705,252
10	Past Due Receivables	-	-	-	-	-	-
	Total Commitments/Contingencies Exposure for Off Balance Sheet Transactions	**3,729,952**	**128,890**	**-**	**-**	**-**	**3,601,062**
C	Exposure on Counterparty Credit Risk						
1	Receivables on Sovereigns	298,699	-	-	-	-	298,699
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	357,545	-	-	-	-	357,545
5	Receivables on Micro, Small Business & Retail Portfolio	26,709	-	-	-	-	26,709
6	Receivables on Corporate	5,277	-	-	-	-	5,277
	Total Counterparty Credit Risk Exposures	**688,230**	**-**	**-**	**-**	**-**	**688,230**
Total (A+B+C)		**174,012,115**	**1,948,632**	**-**	**-**	**-**	**172,063,483**

(Rp million)

	December 31, 2016					
	Net Receivables	Exposure which is Secured by				Unsecured Exposure
		Collateral	Guarantee	Credit Insurance	Others	
	(9)	(10)	(11)	(12)	(13)	(14) = (9)-[(10)+(11)+(12)+(13)]
	24,958,295	-	-	-	-	24,958,295
	1,102,952	43	-	-	-	1,102,909
	-	-	-	-	-	-
	6,514,553	1,922	-	-	-	6,512,631
	2,461,677	-	-	-	-	2,461,677
	1,060,769	89,691	-	-	-	971,078
	-	-	-	-	-	-
	59,370,012	90,208	-	-	-	59,279,804
	62,042,235	1,758,967	-	-	-	60,283,268
	2,405,768	-	-	-	-	2,405,768
	6,468,260	-	-	-	-	6,468,260
	166,384,521	**1,940,831**	**-**	**-**	**-**	**164,443,690**
	-	-	-	-	-	-
	30,312	-	-	-	-	30,312
	-	-	-	-	-	-
	5,127	-	-	-	-	5,127
	859	-	-	-	-	859
	-	-	-	-	-	-
	-	-	-	-	-	-
	870,229	26,803	-	-	-	843,426
	2,801,967	134,822	-	-	-	2,667,145
	-	-	-	-	-	-
	3,708,494	**161,625**	**-**	**-**	**-**	**3,546,869**
	19,875	-	-	-	-	19,875
	-	-	-	-	-	-
	-	-	-	-	-	-
	464,652	-	-	-	-	464,652
	9,178	-	-	-	-	9,178
	31,581	-	-	-	-	31,581
	525,286	**-**	**-**	**-**	**-**	**525,286**
	170,618,301	**2,102,456**	**-**	**-**	**-**	**168,515,845**

Disclosure of Assets Securitization

Securitization is a process of taking non-liquid assets or asset groups and, through financial engineering, transforming them 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. As of December 31, 2017 Danamon did not have any position of KIK EBA Asset.

11.1. Calculation of the Standardized Approach of Credit Risk Weighted Assets-Bank Stand Alone

a. Disclosure of Asset Exposures in the Balance Sheet

(Rp million)

No.	Portfolio Category	December 31, 2017			December 31, 2016		
		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	24,607,817	-	-	24,957,966	-	-
2	Receivables on Public Sector Entities	1,371,281	624,209	624,209	1,101,952	502,988	502,967
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	5,798,767	1,900,331	1,894,606	6,345,622	2,168,647	2,167,686
5	Loans Secured by Residential Property	3,353,680	1,173,788	1,173,788	2,461,677	861,587	861,587
6	Loans Secured by Commercial Real Estate	1,245,686	1,245,686	1,123,623	1,060,769	1,060,769	971,078
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	30,884,613	23,163,460	23,103,208	33,320,309	24,990,231	24,922,575
9	Receivables on Corporate	66,168,309	64,571,686	62,978,792	62,642,161	61,455,073	59,696,105
10	Past Due Receivables	2,035,269	3,013,933	2,994,434	2,088,574	3,103,448	3,103,448
11	Other Assets	6,755,934	-	4,687,252	5,663,474	-	3,659,855
TOTAL		142,221,356	95,693,093	98,579,912	139,642,504	94,142,743	95,885,301

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

(Rp million)

No.	Portfolio Category	December 31, 2017			December 31, 2016		
		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	-	-	-	-	-	-
2	Receivables on Public Sector Entities	1,437	719	719	30,312	15,156	15,156
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	9,284	2,607	2,607	5,127	1,775	1,775
5	Loans Secured by Residential Property	302	106	106	859	301	301
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	906,748	680,061	663,590	870,229	652,671	632,569
9	Receivables on Corporate	2,812,181	2,812,181	2,705,252	2,801,967	2,801,967	2,667,146
10	Past Due Receivables	-	-	-	-	-	-
TOTAL		3,729,952	3,495,674	3,372,274	3,708,494	3,471,870	3,316,947

c. Disclosure of Exposures causing Counterparty Credit Risk

(Rp million)

No.	Portfolio Category	December 31, 2017			December 31, 2016		
		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	298,699	-	-	19,875	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	139,129	38,133	38,133	69,405	23,466	23,466
5	Receivables on Micro, Small Business & Retail Portfolio	26,709	20,032	20,032	9,178	6,883	6,883
6	Receivables on Corporate	5,277	5,277	5,277	31,581	31,581	31,581
7	Weighted Exposure from Credit Valuation Adjustment (CVA)			5,663			-
TOTAL		469,814	63,442	69,105	130,039	61,930	61,930

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

There was no exposure from the Exposures that causing Credit Risk due to settlement risk in 2017 and 2016.

e. Disclosure of Securitization Exposures

There is no exposure from Securitization Exposures in 2017 and 2016.

f. Disclosure of Total Credit Risks Measurement

(Rp million)

	December 31, 2017	December 31, 2016
Total Credit Risk RWA	**102,021,291**	**99,264,178**
Total Capital Deduction Factor	-	-

11.2. Calculation of the Standardized Approach of Credit Risk Weighted Assets-Consolidated

a. Disclosure of Assets Exposures in the Balance Sheet

(Rp million)

No.	Portfolio Category	December 31, 2017			December 31, 2016		
		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	24,608,480	-	-	24,958,295	-	-
2	Receivables on Public Sector Entities	1,371,897	624,517	624,517	1,102,952	503,488	503,467
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	6,068,786	1,954,335	1,948,610	6,514,553	2,202,433	2,201,472
5	Loans Secured by Residential Property	3,355,677	1,174,487	1,174,487	2,461,677	861,587	861,587
6	Loans Secured by Commercial Real Estate	1,245,686	1,245,686	1,123,623	1,060,769	1,060,769	971,078
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	57,371,634	43,028,726	42,968,473	59,370,012	44,527,509	44,459,853
9	Receivables on Corporate	65,528,732	63,938,773	62,345,878	62,042,235	60,911,694	59,152,727
10	Past Due Receivables	2,448,141	3,633,241	3,613,742	2,405,768	3,579,240	3,579,240
11	Other Assets	7,594,899	-	5,305,747	6,468,260	-	4,272,326
TOTAL		169,593,932	115,599,765	119,105,077	166,384,521	113,646,720	116,001,750

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

(Rp million)

No.	Portfolio Category	December 31, 2017			December 31, 2016		
		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	-	-	-	-	-	-
2	Receivables on Public Sector Entities	1,437	719	719	30,312	15,156	15,156
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	9,284	2,607	2,607	5,127	1,775	1,775
5	Loans Secured by Residential Property	302	106	106	859	301	301
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	906,748	680,061	663,590	870,229	652,671	632,569
9	Receivables on Corporate	2,812,181	2,812,181	2,705,252	2,801,967	2,801,967	2,667,146
10	Past Due Receivables	-	-	-	-	-	-
TOTAL		3,729,952	3,495,674	3,372,274	3,708,494	3,471,870	3,316,947

c. Disclosure of Exposures causing Counterparty Credit Risk

(Rp million)

No.	Portfolio Category	December 31, 2017			December 31, 2016		
		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	298,699	-	-	19,875	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	357,545	147,341	147,341	464,652	221,090	221,090
5	Receivables on Micro, Small Business & Retail Portfolio	26,709	20,032	20,032	9,178	6,883	6,883
6	Receivables on Corporate	5,277	5,277	5,277	31,581	31,581	31,581
7	Weighted Exposure from Credit Valuation Adjustment (CVA)			5,663			-
TOTAL		688,230	172,650	178,313	525,286	259,554	259,554

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

There is no exposure from Exposures causing Credit Risk due to Settlement Risk in 2017 and 2016.

e. Disclosure of Securitization Exposures

There is no exposure from Securitization Exposures in 2017 and 2016.

f. Disclosure of Total Credit Risks Measurement

(Rp million)

	December 31, 2017	December 31, 2016
Total Credit Risk RWA	122,655,664	119,578,251
Total Capital Deduction Factor	-	-

B. Market Risk

Market Risk Management encompasses not only limited to the management of risk, but also monitoring of all risks exposed to the Bank as a result of movements against market factors (interest rates and foreign exchange rates). Market risks may arise from two different areas which are separately managed. The first area is trading activity in treasury (Trading Book risk) and the second is the activity in Bank's balance sheet (especially interest rate risk in the Banking Book). Implementation of Market Risk Management shall cover both risks.

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

2) Market Risk Management Implementation
   Market Risk Management is implemented through a process of identification, measurement, monitoring and controlling, supported by the implementation of management information systems. Market risk is monitored by Market and Liquidity Risk (MLR) Division (as the Second line of Defense), an independent function in the Bank, which develops, implements, and maintains a comprehensive and integrated market risk management framework. This includes qualitative and quantitative aspect to identify, measure, monitor, control and report market risks.
   a) Trading Risk
      Trading risk is primarily managed through a limit structure and monitored by the Market & Liquidity Risk (MLR) Division on a daily basis.
   b) Interest Rate Risk in the Banking Book.
      Interest rate risk is an exposure arising from adverse interest rate market movement to the bank balance sheet. This risk is an inherent part of the banking business. Proper risk management could turn an exposure to be an additional source of income, which could increase shareholders' value. However, excessive exposure to the interest rate risk could cause a significant threat to a bank's income and capital. Monitoring of interest rate risk on the banking book is carried out daily by the MLR Division.

3) Risk Factors
   Risk factors are defined as variables that may changes the value of a financial instrument or a portfolio of financial instruments, both on and off-balance sheet. Major market risk factors included in the risk measurement systems are foreign exchange rates (FX), interest rates, equity and commodity.

   Risk factors may occur individually or combined, if the Bank's products or activities have several risk factors to be managed. Market risk management in Indonesian banking is limited to interest rate and foreign exchange risk factor.

4) Measurement, Monitoring, and Control of Market Risk
   In general, market risk measurement covers foreign exchange risk and interest rate risk in the Bank's Trading Book and Banking Book. Market risk measurement includes the valuation of financial instruments, calculation of market risk capital charge, stress testing and sensitivity analysis. The methodology of market risk measurement refers to regulatory requirements and general banking industry standards in market risk management.

Danamon manages the interest rate risk by using sensitivity analysis based on the repricing gap format and Earning-at-Risk (EAR) method. EAR measures the impact of interest rate changes to the Bank's net interest income in the next 1 year.

To complement the management of interest rate risk, the Bank also uses the Economic Value of Equity (EVE) method. EVE provides measurements of interest rate risk for a longer period of time, as well as estimates the impact of interest rate changes on the Bank's capital.

EAR and EVE measurements are conducted on a daily basis for both banking book and trading book instruments according to its repricing assumption for products with contractual maturity and non-maturing. EAR and EVE measurement was done for the symmetrical increase or decrease on the yield curve, both in normal and stressed conditions. The assumptions used are reviewed periodically based on its relevance to the generally applied methodology.

The monitoring and controlling processes are conducted through market risk limit mechanism, for both the Trading and Banking Book parameters, including the monitoring of Treasury limits utilization. MLR independently monitors the limits relevant to market risk on a daily basis by taking into account the risk appetite and business strategy direction of the Bank.

As of 31 December 2017, EAR limit utilization, both individually and consolidated, are still within internal threshold. Indonesian Rupiah (IDR) & Foreign Currency (FCY) EAR for both Individual and consolidated showed limit utilization of 42-52%.

EVE Limit utilization, individually and consolidated, is also within internal threshold. IDR and FCY EVE, Individual and consolidated, showed limit utilization of 30%-36%.

In general, based on the current composition of assets and liabilities (a combination of tenor and fixed/floating rates), the interest rate risk impact to the Bank's capital, both individually and consolidated, is still within internal Risk Appetite threshold.

5) Minimum Capital Adequacy
Danamon is committed to meet the Minimum Capital Adequacy (CAR) as stipulated by the regulator. Therefore, on a monthly basis, the Bank will calculate RWA based on standardized approach. In the calculation, the Bank takes two exposures into account, namely, interest rate risk exposure and foreign exchange (FX) risk exposure. Interest rate risk exposure consists of specific risks and general risks, which covers debt, debt related instruments, and interest rate derivatives in the Trading Book. On the other hand, FX risk exposure is calculated for foreign exchange risk in the Trading Book and Banking Book.

1. Disclosure of Market Risks by Using Standardized Approach

(Rp million)

No.	Type of Risk	December 31, 2017				December 31, 2016			
		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		302,863		302,863		146,963		146,963
	a. Specific Risk	-	-	-	-	-	-	-	-
	b. General Risk	24,229	302,863	24,229	302,863	11,757	146,963	11,757	146,963
2	Foreign Exchange Risk	18,949	236,868	18,994	237,425	13,707	171,334	13,751	171,888
3	Equity Risk			-	-			-	-
4	Commodity Risk			-	-			-	-
5	Option Risk	-	-	-	-	-	-	-	-
	Total	43,178	539,731	43,223	540,288	25,464	318,297	25,508	318,850

C. Liquidity Risk

Banks are exposed to liquidity risk arising from various business aspects. Liquidity risk arises due to cashflow mismatch between assets and liabilities of the Bank. Liquidity risk management is one of Danamon's key success factors in managing its business.

In general, Danamon liquidity risk management emphasizes the following items:

- Various liquidity risk characteristics and sources.
- Appropriate funding strategy (including diversified funding sources).
- Infrastructure enhancement to align with Basel III and Financial Services Authority (FSA) regulations related to Liquidity Risk

Liquidity risk is one of the keys in managing the Bank's risks; thus, liquidity risk management implementation must be sustainable.

1) Liquidity Risk Management Organization

   Liquidity risk management is a top-down process, starting from the Risk Monitoring Committee of the Board of Commissioners and the Board of Directors/Senior Management through ALCO are actively involved in the planning, approval, review and assessment of all risks involved.

   In order to evaluate the adequacy of liquidity, ALCO has a wide scope of authority delegated by the Board of Directors to manage the assets and liabilities structure including funding strategies of the Bank. ALCO focuses on liquidity management with the following objectives:

   - Understanding the various liquidity risk sources and integrate the characteristics and risks of various liquidity sources, particularly under stress conditions
   - Developing a comprehensive risk approach to ensure compliance with the overall risk appetite
   - Determining relevant funding strategies to meet liquidity requirements, including consolidating all funding resources.
   - Developing effective contingency plans
   - Improving resilience in the event of a sharp decline of liquidity risk and demonstrating the Bank's ability to address closed access to one or more financial markets by ensuring funding can be generated through a variety of funding sources.

   ALCO, as Danamon's senior management committee, serves as the apex body assigned to oversee and evaluate the structure and trends of the balance sheet in terms of liquidity, interest rates, and capital management. This includes the establishment of policies and procedures, the determination of a limit framework, and evaluation of strategies on the balance sheet with the objectives to provide adequate liquidity and capital for the Bank as well as a diversified funding structure.

2) Liquidity Risk Indicators

   A wide variety of internal indicators. Market indicators that can warn Danamon of the threat of a liquidity crisis are:

Internal Indicator	Market Indicator
1. Excessive concentration on specific assets and sources of funding 2. The increase in overall funding costs 3. Sudden increase of assets through instable wholesale funding 4. Decrease in cash flow position indicated by the widening of negative position on maturity disparity especially in the short term.	1. Rating downgrade 2. External financial crisis 3. Prolonged tight liquidity conditions

3) Liquidity Risk Assessment

In general, the assessment of liquidity risk may be grouped into regulatory measurement and internal, or non-regulatory measurement.

Danamon has conducted regulatory liquidity risk measurements, including:

a) Loan to Funding Ratio (LFR)

Loan to Funding Ratio or LFR is a credit ratio provided to a third party in Rupiah and foreign currencies, excluding credit to other banks, against:

- Third party funds, covering current accounts, savings accounts, and time deposits, both in Rupiah and foreign currencies, excluding interbank funds; and
- Securities, both in Rupiah and foreign currencies, which meet certain requirements issued by the Bank to secure funding sources.

b) Primary (GWM) Reserve Requirements

Primary Reserve Requirements are minimum deposits in Rupiah, which have to be maintained by the Bank in the form of Current Account balance at Bank Indonesia in which the amount is set by Bank Indonesia at a certain percentage of third party funds (DPK) periodically.

c) Secondary (GWM) Reserve Requirements

Secondary Reserve Requirements are minimum reserves which have to be maintained by the Bank in the form of Bank Indonesia Certificates (SBI), Bank Indonesia Certificates of Deposit (SDBI) and Government Securities (SBN), the amount determined by Bank Indonesia at certain percentage of third party funds (DPK).

d) Liquidity Coverage Ratio (LCR)

The purpose of this standard is to ensure that the Bank retains a sufficient level of unencumbered and high quality assets which are convertible into cash to fulfill liquidity requirements within 30 calendar days under a severe liquidity stress scenario as defined by regulators. At minimum, liquid asset stocks will enable the Bank to maintain its operations for up to 30 days during the stress scenario, by which time it is assumed that appropriate corrective actions have been taken by the management and/or regulators.

To measure regulatory liquidity risk, the Bank may internally set additional thresholds from those pre-set by regulation, as long as such thresholds are more conservative than those set by regulation.

Disclosure on LCR

LCR value (%)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(1)	(2)	(3)	(4)
Individual	97.31%	97.57%	113.20%	118.38%
Consolidated	94.67%	93.50%	110.14%	117.90%

In general, Danamon's liquidity is relatively good. Liquidity risk management is supported by the measurement of liquidity risk parameters indicating a low risk level. In addition, Danamon is supported by strong capital.

In accordance with POJK Regulation No. 42/POJK.03/2015, the Bank is obliged to perform Individual and consolidated quarterly reporting for BUKU 3, effective from the 3rd Quarter, 2016 position report based on the average position of the end of the month in the quarter.

The reported position for the 4th quarter of 2017 is the average position of the end of October-November-December 2017. Danamon's Individual and Consolidated LCR ratio for the 4th quarter of 2017 remained above the defined ratio set forth in POJK No. 42/POJK.03/2015, which is 90%.

Calculation of consolidated LCR is the combination of Danamon's LCR with Subsidiaries' LCR (in this case, financial institution subsidiaries engaged in multi finance). On a consolidated basis, the incorporation of the Subsidiaries' LCR has a marginal impact on the High Quality Liquid Asset (HQLA) through the addition of cash or cash equivalents, as well as increasing cash outflow through bond issuance and interbank borrowing and increase cash inflows through retail installment payments and interbank assets.

Danamon's HQLA composition (Rupiah and foreign exchange) is dominated by Placements with Bank Indonesia and Securities issued by the Central Government and Bank Indonesia with reference to POJK No. 32/POJK.03/2016 Article 36A (effective 30 September 2016). The POJK stipulates the regulations on securities issued by the Central Government and Bank Indonesia in foreign currency, which can only be rated as Level 1 HQLA maximum for cash outflow needs in the referred foreign currency.

Analysis of Third Party Funds (DPK) Composition as an outflow component, the majority of which are in Danamon, remains diversified in the wholesale and retail segment financing. Monitoring of funding concentrations is monitored on a daily basis.

Derivative transactions are centralized in Danamon. The ratio of derivative transactions both in the receivables as well as liabilities to total assets and liabilities (excluding capital) has minimum impact on the calculation of the LCR. The background for derivatives portfolio activity is limited to plain vanilla products for hedging needs, supporting customer transactions, or liquidity needs through the Balance Sheet Management.

Apart from the regulatory liquidity risk assessment, the Bank may apply other internal assessments that are commonly used in liquidity risk management, including Maximum Cumulative Outflow (MCO) and Large Fund Provider (LFP).

Danamon has also assessed the Net Stable Funding Ratio (NSFR), based on the OJK Consultative Paper during the trial period and continued with OJK Regulations to be effective in January 2018. This ratio aims to assess the Bank's resilience from a stable funding profile in accordance with balance sheet composition and off-balance sheet activity.

4) Monitoring and Control of Liquidity Risk

   Danamon manages liquidity risks through liquidity gap analysis and liquidity ratios. Liquidity risks are measured and monitored on a daily basis based on the limit framework of liquidity risks.

   The monitoring and control processes are conducted through the Liquidity Risk Limit mechanism. MLR is an independent division (as the Second Line of Defense) that monitors the limit relevant to liquidity risk on a daily basis by taking into account the risk appetite and business strategy direction of the Bank.

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

No.	Items	December 31, 2017					
		Balance	Maturity				
			≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I	**BALANCE SHEET**						
	A. Assets						
	1. Cash	2,130,007	2,130,007	-	-	-	-
	2. Placements with Bank Indonesia	11,435,012	9,219,592	1,042,065	344,612	828,743	-
	3. Placements with Other Banks	1,599,807	121,356	588,867	536,074	353,510	-
	4. Marketable Securities	13,160,675	1,257,400	3,612,730	1,661,402	1,056,311	5,572,832
	5. Loans	91,121,513	12,941,439	12,597,014	14,227,920	19,782,557	31,572,583
	6. Other Receivables	636,419	280,816	301,523	41,201	21	12,858
	7. Others	2,078,308	811,992	31,117	26,679	-	1,208,520
	Total Assets	**122,161,741**	**26,762,602**	**18,173,316**	**16,837,888**	**22,021,142**	**38,366,793**
	B. Liabilities						
	1. Deposits from Customers	84,166,646	28,225,830	12,778,413	5,595,515	6,893,792	30,673,096
	2. Liabilities with Bank Indonesia	-	-	-	-	-	-
	3. Liabilities with Other Banks	4,641,807	2,771,583	385,574	359,795	815,536	309,319
	4. Securities issued	-	-	-	-	-	-
	5. Borrowings	60,176	50,000	-	-	-	10,176
	6. Other Liabilities	562,768	166,824	164,059	42,491	-	189,394
	7. Others	3,195,062	417,633	-	673	-	2,776,756
	Total Liabilities	**92,626,459**	**31,631,870**	**13,328,046**	**5,998,474**	**7,709,328**	**33,958,741**
	On Balance Sheet Assets and Liabilities Differences	**29,535,282**	**(4,869,268)**	**4,845,270**	**10,839,414**	**14,311,814**	**4,408,052**
II	**OFF BALANCE SHEET**						
	A. Off Balance Sheet Receivables						
	1. Commitments	-	-	-	-	-	-
	2. Contingencies	-	-	-	-	-	-
	Total Off Balance Sheet Receivables	-	-	-	-	-	-
	B. Off Balance Sheet Payables						
	1. Commitments	31,146,280	2,187,871	3,325,525	5,656,867	11,558,595	8,417,422
	2. Contingencies	3,433,456	529,610	667,896	818,441	1,127,525	289,984
	Total Off Balance Sheet Payables	34,579,736	2,717,481	3,993,421	6,475,308	12,686,120	8,707,406
	Off Balance Sheet Receivables and Payables Differences	(34,579,736)	(2,717,481)	(3,993,421)	(6,475,308)	(12,686,120)	(8,707,406)
	Differences [(IA-IB)+(IIA-IIB)]	(5,044,454)	(7,586,749)	851,849	4,364,106	1,625,694	(4,299,354)
	Cumulative Differences	(5,044,454)	(7,586,749)	(6,734,900)	(2,370,794)	(745,100)	(5,044,454)

(Rp million)

	December 31, 2016					
	Balance	Maturity				
		≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
	(9)	(10)	(11)	(12)	(13)	(14)
	1,895,129	1,895,129	-	-	-	-
	8,887,310	6,555,376	496,999	1,024,271	810,664	-
	3,999,261	450,150	271,469	120,210	1,166,836	1,990,596
	11,042,543	1,317,505	2,106,893	2,155,587	1,479,358	3,983,200
	87,826,305	11,652,442	13,450,192	14,810,895	19,081,783	28,830,993
	298,771	72,569	160,950	56,670	-	8,582
	825,381	114,954	16,994	8,474	-	684,959
	114,774,700	**22,058,125**	**16,503,497**	**18,176,107**	**22,538,641**	**35,498,330**
	82,209,773	33,281,113	8,161,745	4,581,918	4,472,845	31,712,152
	-	-	-	-	-	-
	3,185,353	2,049,903	302,176	292,844	448,751	91,679
	-	-	-	-	-	-
	14,629	-	-	-	-	14,629
	226,872	20,532	22,048	10,729	-	173,563
	2,769,880	16,993	2,936	63	-	2,749,888
	88,406,507	**35,368,541**	**8,488,905**	**4,885,554**	**4,921,596**	**34,741,911**
	26,368,193	**(13,310,416)**	**8,014,592**	**13,290,553**	**17,617,045**	**756,419**
	-	-	-	-	-	-
	39,670	25,140	14,530	-	-	-
	39,670	25,140	14,530	-	-	-
	32,975,120	2,504,404	3,642,113	5,690,204	12,867,133	8,271,266
	3,418,549	482,268	580,832	773,773	1,382,883	198,793
	36,393,669	2,986,672	4,222,945	6,463,977	14,250,016	8,470,059
	(36,353,999)	(2,961,532)	(4,208,415)	(6,463,977)	(14,250,016)	(8,470,059)
	(9,985,806)	(16,271,948)	3,806,177	6,826,576	3,367,029	(7,713,640)
	(9,985,806)	(16,271,948)	(12,465,771)	(5,639,195)	(2,272,166)	(9,985,806)

1.1.b Disclosure of Maturity Profile for Rupiah-Consolidated

No.	Items	December 31, 2017					
		Balance	Maturity				
			≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I	BALANCE SHEET						
	A. Assets						
	1. Cash	2,350,479	2,350,479	-	-	-	-
	2. Placements with Bank Indonesia	11,435,012	9,219,592	1,042,065	344,612	828,743	-
	3. Placements with Other Banks	1,869,318	390,867	588,867	536,074	353,510	-
	4. Marketable Securities	13,152,471	1,257,400	3,612,730	1,661,402	1,056,311	5,564,628
	5. Loans	117,173,512	12,257,540	12,899,803	15,173,002	23,054,308	53,788,859
	6. Other Receivables	1,020,720	284,586	307,607	69,386	73,348	285,793
	7. Others	2,388,418	1,045,711	47,517	30,534	851	1,263,805
	Total Assets	149,389,930	26,806,175	18,498,589	17,815,010	25,367,071	60,903,085
	B. Liabilities						
	1. Deposits from Customers	82,152,020	26,211,204	12,778,413	5,595,515	6,893,792	30,673,096
	2. Liabilities with Bank Indonesia	-	-	-	-	-	-
	3. Liabilities with Other Banks	4,641,807	2,771,583	385,574	359,795	815,536	309,319
	4. Securities issued	10,454,165	-	850,865	1,985,629	1,812,472	5,805,199
	5. Borrowings	4,794,086	399,979	849,978	2,032,803	1,511,284	42
	6. Other Liabilities	569,975	166,824	164,059	42,491	5,285	191,316
	7. Others	6,002,611	2,552,599	267,921	74,412	322,943	2,784,736
	Total Liabilities	108,614,664	32,102,189	15,296,810	10,090,645	11,361,312	39,763,708
	On Balance Sheet Assets and Liabilities Differences	40,775,266	(5,296,014)	3,201,779	7,724,365	14,005,759	21,139,377
II	OFF BALANCE SHEET						
	A. Off Balance Sheet Receivables						
	1. Commitments	-	-	-	-	-	-
	2. Contingencies	-	-	-	-	-	-
	Total Off Balance Sheet Receivables	-	-	-	-	-	-
	B. Off Balance Sheet Payables						
	1. Commitments	36,144,499	2,219,529	4,392,586	7,168,279	12,112,803	10,251,302
	2. Contingencies	3,433,456	529,610	667,896	818,441	1,127,525	289,984
	Total Off Balance Sheet Payables	39,577,955	2,749,139	5,060,482	7,986,720	13,240,328	10,541,286
	Off Balance Sheet Receivables and Payables Differences	(39,577,955)	(2,749,139)	(5,060,482)	(7,986,720)	(13,240,328)	(10,541,286)
	Differences [(IA-IB)+(IIA-IIB)]	1,197,311	(8,045,153)	(1,858,703)	(262,355)	765,431	10,598,091
	Cumulative Differences	1,197,311	(8,045,153)	(9,903,856)	(10,166,211)	(9,400,780)	1,197,311

(Rp million)

	December 31, 2016					
	Balance	Maturity				
		≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
	(9)	(10)	(11)	(12)	(13)	(14)
	2,087,443	2,087,443	-	-	-	-
	8,887,310	6,555,376	496,999	1,024,271	810,664	-
	4,167,692	618,581	271,469	120,210	1,166,836	1,990,596
	10,973,028	1,317,505	2,106,893	2,155,587	1,479,358	3,913,685
	113,600,949	11,760,888	13,738,700	15,739,995	22,417,014	49,944,352
	1,196,463	74,293	168,569	89,881	116,344	747,376
	1,310,714	539,805	31,278	16,493	3,173	719,965
	142,223,599	**22,953,891**	**16,813,908**	**19,146,437**	**25,993,389**	**57,315,974**
	81,485,748	32,557,088	8,161,745	4,581,918	4,472,845	31,712,152
	-	-	-	-	-	-
	3,185,353	2,049,903	302,176	292,844	448,751	91,679
	8,554,979	-	72,953	362,842	2,388,412	5,730,772
	7,568,673	200,000	2,650,000	3,046,017	1,672,434	222
	226,912	20,572	22,048	10,729	-	173,563
	5,274,369	1,230,180	432,176	63,219	338,701	3,210,093
	106,296,034	**36,057,743**	**11,641,098**	**8,357,569**	**9,321,143**	**40,918,481**
	35,927,565	**(13,103,852)**	**5,172,810**	**10,788,868**	**16,672,246**	**16,397,493**
	-	-	-	-	-	-
	39,670	25,140	14,530	-	-	-
	39,670	25,140	14,530	-	-	-
	32,975,120	2,504,404	3,642,113	5,690,204	12,867,133	8,271,266
	3,418,549	482,268	580,832	773,773	1,382,883	198,793
	36,393,669	2,986,672	4,222,945	6,463,977	14,250,016	8,470,059
	(36,353,999)	(2,961,532)	(4,208,415)	(6,463,977)	(14,250,016)	(8,470,059)
	(426,434)	(16,065,384)	964,395	4,324,891	2,422,230	7,927,434
	(426,434)	(16,065,384)	(15,100,989)	(10,776,098)	(8,353,868)	(426,434)

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

No.	Items	December 31, 2017					
		Balance	Maturity				
			≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I	BALANCE SHEET						
	A. Assets						
	1. Cash	195,793	195,793	-	-	-	-
	2. Placements with Bank Indonesia	4,432,557	3,132,383	982,450	317,724	-	-
	3. Placements with Other Banks	1,861,271	1,861,271	-	-	-	-
	4. Marketable Securities	5,979,794	1,868,598	681,672	234,704	321,875	2,872,945
	5. Loans	6,647,234	2,117,303	1,316,549	960,620	372,306	1,880,456
	6. Other Receivables	1,174,498	261,093	562,115	223,606	96,316	31,368
	7. Others	196,866	114,362	51,937	3,134	149	27,284
	Total Assets	20,488,013	9,550,803	3,594,723	1,739,788	790,646	4,812,053
	B. Liabilities						
	1. Deposits from Customers	19,968,646	6,625,824	4,075,908	2,669,039	2,145,442	4,452,433
	2. Liabilities with Bank Indonesia	-	-	-	-	-	-
	3. Liabilities with Other Banks	21,993	1,506	3,419	2,442	4,871	9,755
	4. Securities issued	41	41	-	-	-	-
	5. Borrowings	-	-	-	-	-	-
	6. Other Liabilities	1,219,150	271,053	562,102	223,606	96,302	66,087
	7. Others	208,397	139,989	1,669	163	-	66,576
	Total Liabilities	21,418,227	7,038,413	4,643,098	2,895,250	2,246,615	4,594,851
	On Balance Sheet Assets and Liabilities Differences	(930,214)	2,512,390	(1,048,375)	(1,155,462)	(1,455,969)	217,202
II	OFF BALANCE SHEET						
	A. Off Balance Sheet Receivables						
	1. Commitments	8,450,884	7,765,915	361,913	69,805	27,135	226,116
	2. Contingencies	28,817	9,497	19,076	-	244	-
	Total Off Balance Sheet Receivables	8,479,701	7,775,412	380,989	69,805	27,379	226,116
	B. Off Balance Sheet Payables						
	1. Commitments	12,805,075	5,427,611	3,295,858	1,101,491	2,618,962	361,153
	2. Contingencies	200,175	54,379	19,089	59,602	57,608	9,497
	Total Off Balance Sheet Payables	13,005,250	5,481,990	3,314,947	1,161,093	2,676,570	370,650
	Off Balance Sheet Receivables and Payables Differences	(4,525,549)	2,293,422	(2,933,958)	(1,091,288)	(2,649,191)	(144,534)
	Differences [(IA-IB)+(IIA-IIB)]	(5,455,763)	4,805,812	(3,982,333)	(2,246,750)	(4,105,160)	72,668
	Cumulative Differences	(5,455,763)	4,805,812	823,479	(1,423,271)	(5,528,431)	(5,455,763)

(Rp million)

December 31, 2016					
Balance	Maturity				
	≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
(9)	(10)	(11)	(12)	(13)	(14)
177,487	177,487	-	-	-	-
8,825,108	5,146,980	-	2,008,319	1,669,809	-
2,012,104	1,523,861	1,832	419,116	-	67,295
4,894,170	740,288	1,329,655	1,371,959	-	1,452,268
7,328,177	2,201,824	1,466,603	1,430,308	488,957	1,740,485
1,625,270	583,966	827,387	195,324	18,431	162
101,162	39,742	28,158	6,304	-	26,958
24,963,478	**10,414,148**	**3,653,635**	**5,431,330**	**2,177,197**	**3,287,168**
22,346,539	6,728,907	5,553,270	2,782,570	1,911,249	5,370,543
-	-	-	-	-	-
1,662,008	602,558	829,771	197,493	23,025	9,161
-	-	-	-	-	-
445,212	-	-	-	-	445,212
16,073	5,713	27	27	-	10,306
115,526	22,674	256	1,832	-	90,764
24,585,358	**7,359,852**	**6,383,324**	**2,981,922**	**1,934,274**	**5,925,986**
378,120	**3,054,296**	**(2,729,689)**	**2,449,408**	**242,923**	**(2,638,818)**
4,215,545	3,102,555	608,957	474,906	1,724	27,403
30,192	-	-	20,761	9,431	-
4,245,737	3,102,555	608,957	495,667	11,155	27,403
10,348,645	3,309,964	3,466,030	1,298,965	1,426,549	847,137
403,677	29,922	19,091	243,219	106,177	5,268
10,752,322	3,339,886	3,485,121	1,542,184	1,532,726	852,405
(6,506,585)	(237,331)	(2,876,164)	(1,046,517)	(1,521,571)	(825,002)
(6,128,465)	2,816,965	(5,605,853)	1,402,891	(1,278,648)	(3,463,820)
(6,128,465)	2,816,965	(2,788,888)	(1,385,997)	(2,664,645)	(6,128,465)

1.2.b Disclosure of Maturity Profile for Foreign Currency-Consolidated

No.	Items	December 31, 2017					
		Balance	Maturity				
			≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I	**BALANCE SHEET**						
	A. Assets						
	1. Cash	195,793	195,793	-	-	-	-
	2. Placements with Bank Indonesia	4,432,557	3,132,383	982,450	317,724	-	-
	3. Placements with Other Banks	1,861,780	1,861,780	-	-	-	-
	4. Marketable Securities	5,979,794	1,868,598	681,672	234,704	321,875	2,872,945
	5. Loans	6,647,234	2,117,303	1,316,549	960,620	372,306	1,880,456
	6. Other Receivables	1,260,178	263,603	584,509	262,429	96,316	53,321
	7. Others	196,866	114,362	51,937	3,134	149	27,284
	Total Assets	**20,574,202**	**9,553,822**	**3,617,117**	**1,778,611**	**790,646**	**4,834,006**
	B. Liabilities						
	1. Deposits from Customers	19,968,602	6,625,780	4,075,908	2,669,039	2,145,442	4,452,433
	2. Liabilities with Bank Indonesia	-	-	-	-	-	-
	3. Liabilities with Other Banks	21,993	1,506	3,419	2,442	4,871	9,755
	4. Securities issued	41	41	-	-	-	-
	5. Borrowings	5,000,242	33,913	1,084,268	1,534,800	541,026	1,806,235
	6. Other Liabilities	1,219,150	271,053	562,102	223,606	96,302	66,087
	7. Others	262,309	177,705	17,865	163	-	66,576
	Total Liabilities	**26,472,337**	**7,109,998**	**5,743,562**	**4,430,050**	**2,787,641**	**6,401,086**
	On Balance Sheet Assets and Liabilities Differences	**(5,898,135)**	**2,443,824**	**(2,126,445)**	**(2,651,439)**	**(1,996,995)**	**(1,567,080)**
II	**OFF BALANCE SHEET**						
	A. Off Balance Sheet Receivables						
	1. Commitments	8,450,884	7,765,915	361,913	69,805	27,135	226,116
	2. Contingencies	28,817	9,497	19,076	-	244	-
	Total Off Balance Sheet Receivables	8,479,701	7,775,412	380,989	69,805	27,379	226,116
	B. Off Balance Sheet Payables						
	1. Commitments	12,805,075	5,427,611	3,295,858	1,101,491	2,618,962	361,153
	2. Contingencies	200,175	54,379	19,089	59,602	57,608	9,497
	Total Off Balance Sheet Payables	13,005,250	5,481,990	3,314,947	1,161,093	2,676,570	370,650
	Off Balance Sheet Receivables and Payables Differences	(4,525,549)	2,293,422	(2,933,958)	(1,091,288)	(2,649,191)	(144,534)
	Differences [(IA-IB)+(IIA-IIB)]	(10,423,684)	4,737,246	(5,060,403)	(3,742,727)	(4,646,186)	(1,711,614)
	Cumulative Differences	(10,423,684)	4,737,246	(323,157)	(4,065,884)	(8,712,070)	(10,423,684)

(Rp million)

December 31, 2016					
Balance	Maturity				
	≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
(9)	(10)	(11)	(12)	(13)	(14)
177,487	177,487	-	-	-	-
8,825,108	5,146,980	-	2,008,319	1,669,809	-
2,012,604	1,524,361	1,832	419,116	-	67,295
4,894,170	740,288	1,329,655	1,371,959	-	1,452,268
7,328,177	2,201,824	1,466,603	1,430,308	488,957	1,740,485
1,844,869	591,482	831,251	238,045	88,939	95,152
101,162	39,742	28,158	6,304	-	26,958
25,183,577	**10,422,164**	**3,657,499**	**5,474,051**	**2,247,705**	**3,382,158**
22,346,487	6,728,855	5,553,270	2,782,570	1,911,249	5,370,543
-	-	-	-	-	-
1,662,008	602,558	829,771	197,493	23,025	9,161
-	-	-	-	-	-
4,496,287	89,790	44,873	313,639	627,051	3,420,934
16,073	5,713	27	27	-	10,306
164,932	52,783	19,553	1,832	-	90,764
28,685,787	**7,479,699**	**6,447,494**	**3,295,561**	**2,561,325**	**8,901,708**
(3,502,210)	**2,942,465**	**(2,789,995)**	**2,178,490**	**(313,620)**	**(5,519,550)**
4,215,545	3,102,555	608,957	474,906	1,724	27,403
30,192	-	-	20,761	9,431	-
4,245,737	3,102,555	608,957	495,667	11,155	27,403
10,348,645	3,309,964	3,466,030	1,298,965	1,426,549	847,137
403,677	29,922	19,091	243,219	106,177	5,268
10,752,322	3,339,886	3,485,121	1,542,184	1,532,726	852,405
(6,506,585)	(237,331)	(2,876,164)	(1,046,517)	(1,521,571)	(825,002)
(10,008,795)	2,705,134	(5,666,159)	1,131,973	(1,835,191)	(6,344,552)
(10,008,795)	2,705,134	(2,961,025)	(1,829,052)	(3,664,243)	(10,008,795)

Contingency Funding Plan

An event of liquidity stress is an emergency situation with the potential to have a substantial impact on the Bank's liquidity position. To anticipate liquidity crisis, Danamon maintains a Contingency Funding Plan (CFP), which formally establishes strategies in facing a liquidity crisis and procedures to compensate for cash flow deficits during emergency situations. CFP should comprehensively describe contingency management strategies, escalation procedures, and responsibilities in addressing liquidity stress.

Relevant to CFP, there are indicators that represent external factors (Market Indicators) and internal factors, namely CFP Monitoring, with the following indicator details:

Internal Indicator	Market Indicator
• Loan to Funding Ratio • Liquidity Coverage Ratio • Stress Test Maximum Cummulative Outflow	• Rupiah exchange rate against the US Dollar • Inflation rate • Trade Balance • Credit Rating • Rate of return of Government Bond

D. Operational Risk

The definition of operational risk has been established in OJK Regulation No. 18/POJK 03. 2016. Operational Risk is loss arising from the inadequacy or failure of internal processes, human error, system failure, or a problem due to an external event, which affects the Bank's operational activities.

Danamon's approach to operational risk management is to define the best mitigation strategy to get optimum balance between operational risk exposure, effectiveness of control mechanism and to create a risk appetite as a Bank strategy by consistent implementation of an Operational Risk Management (ORM) framework.

Major components of the Operational Risk Management Framework which are being consistently applied are:

1) Three Lines of Defense

   In the implementation of the ORM framework, the Three Lines of Defense concept is applied, with the following description:
   - Lines of business and supporting units as the executor of the risk management process, the ORM at the Line of Business and Support Functions, and Internal Control functions in each Risk Taking Unit act as the first line of defense in day-to-day execution of operational risk management implementation. They are responsible for identifying, managing, mitigating and reporting on Operational Risk.
   - The ORM division together with the Information Risk Management (IRM) Division, and the Compliance and Legal Division serve as the second line of defense which are responsible for overseeing operational risk management in Danamon.
   - The ORM division is responsible for designing, defining, developing and maintaining an overall operational risk framework, monitoring the implementation of the framework by the RTU, ensuring adequate control over policies and procedures, and acting as coordinator/facilitator for effective operational risk management activities.
   - Meanwhile, the Internal Auditor (SKAI) independently performs the role as third line of defense to identify any weaknesses found in operational risk management and assesses whether the implementation of operational risk management has been in line with regulations.

- The Board of Directors and Board of Commissioners are responsible for overseeing the effectiveness of the overall implementation of the operational risk management framework.

2) Operational Risk Management
The operational risk management framework of the Bank and its Subsidiaries are implemented in an integrated fashion, the process of which consists of identifying, assessing/measuring, monitoring, as well as controlling the risk.

The process involves:
a) Risk identification, which is used to identify and analyze inherent risks in new products, services, and processes, as well as ensuring adequate preventive control over all processes.
b) Risk assessment at the operating unit level is supported by the Risk/Loss Event Database (R/LED), Risk Control Self Assessment (RCSA), and Key Risk Indicators (KRI) to assess the Bank's risk profile quantitatively and to identify the effectiveness of operational risk management.

The measurement of operational risk uses the Basic Indicator Approach based on Circular Letter of Bank Indonesia No. 11/3/DPNP dated 27 January, 2009. Based on this Circular Letter, the capital cost of operational risk is 15% of the average gross income during the previous three years.

Danamon's Individual and consolidated quantitative operational risk disclosures are illustrated in the following tables.

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

(Rp million)

No.	Indicator Approach	December 31, 2017			December 31, 2016		
		Average Gross Income in the last 3 years	Capital Charge	RWA	Average Gross Income in the last 3 years	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Basic Indicator Approach	12,679,111	1,901,867	23,773,333	12,997,229	1,949,584	24,369,804
	Total	**12,679,111**	**1,901,867**	**23,773,333**	**12,997,229**	**1,949,584**	**24,369,804**

1.b. Quantitative Exposure of Operational Risks-Consolidated

(Rp million)

No.	Indicator Approach	December 31, 2017			December 31, 2016		
		Average Gross Income in the last 3 years	Capital Charge	RWA	Pendapatan Bruto (Rata-rata 3 tahun terakhir)	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Basic Indicator Approach	18,030,095	2,704,514	33,806,429	18,236,164	2,735,425	34,192,807
	Total	**18,030,095**	**2,704,514**	**33,806,429**	**18,236,164**	**2,735,425**	**34,192,807**

c) Monitoring operational risks through periodic reports to management in the Risk Management Committee to identify emerging issues related to weaknesses or failures in the implementation of control functions.

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

- Expansion on the coverage of recording, 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.
- Effectiveness of ORM tools, such as Risk/Loss Event Database, Risk Control Self Assessment, and Key Risk Indicators used to identify operational risk and take preventive measures.

In addition, one of the primary mitigations of operational risks is the implementation of coordinated and comprehensive insurance through maximum insurance policy coverage towards Danamon's operational risk exposure.

d) Risk control is conducted through ensuring operational policy and control adequacy in all operational procedures to mitigate operational risk.

Insurance Management is conducted as a major operational risk mitigation effort and is conducted in a well-coordinated manner to ensure optimum balance between operational risk exposures, effectiveness of control mechanisms, insurance coverage, premium expenses, and Danamon's risk appetite.

3) Supporting Infrastructure
The implementation of the comprehensive ORM process is supported by the ORMS (Operational Risk Management System), an internally designed online real-time tool. The ORMS has the following functions:

- Risk and Loss Event recording
- Key Risk Indicator monitoring
- Risk Control Self Assessment
- Reporting

The ORMS strengthens the capture, analysis, and reporting of operational risk data by enabling risk identification, assessment/measurement, monitoring, controlling/mitigating, which is conducted in an integrated manner, thereby enhancing the effectiveness of operational risk management in Danamon.

The ORM also has an E-Learning feature, developed to increase awareness of the importance of operational risk. E-learning has been, and still is, implemented for all employees and management of Danamon.

4) IT Risk Management
In order to manage the operational risk, ORM Division works closely with the IRM Division, especially the IT Risk Management unit.

In running its working activities, the IT Risk Management unit, refers and follows the methodology, framework, and the agreed operational risk management policy, including the supporting infrastructure, as described above; however, it will put more concentration on the control aspects and the risk related to the extensive use of Information Technology in supporting the Bank's products and services.

5) Information Security Management
Information Security is a set of policy and frameworks or guidelines aimed at protecting the Bank's information, in relation to aspects of confidentiality, integrity and availability.

The Information Security Policy and all of the developed frameworks, provide the minimum requirements for the implementation of Information Security in the Bank, which all employees (either permanent or contractual) must comply with, including third parties who work and/or gain access to the Bank's information.

The Information Security Policy is developed by adopting the international standard regulates the Information Security, i.e. ISO 27001. Additionally, it also put local laws and regulations as consideration.

The key success of implementing the Information Security aspects as governed in the Information Security Policy is the awareness, culture, commitment and collective effort of all functions in the Bank, starting from the employee level up to the senior management level.

To increase the awareness level of the Information Security, as mentioned above, we have performed the following:

a. Development of education material as part of the e-learning for all Bank's employees.
b. Delivering a sharing session to line of business and/or support function who need it.
c. Providing an educational material and practical tips related to Information Security via periodic email broadcasting.

As part of the Information Security Policy, the Information Security Unit will also support the IT Risk Management Unit in performing the risk assessment, from Information Security perspective, to the Bank's products and services, which is supported by Information Technology. The role of Information Security Management Unit in this activity is to identify vulnerabilities and threats to information used by the Bank to achieve business objectives, and provide guidance on the necessary measures, to mitigate the risks identified, if any, based on the value arising from the classification of such information.

6) Business Continuity Management (BCM)

As an integral part of Danamon's IRM framework, BCM was created to improve the Bank's resilience and establish preventive measures to respond to all incidents that may befall the Bank and its Subsidiaries regardless of the causes, including risks classified as low probability-high impact in order to safeguard the stakeholders' interests, reputation, brand and valuable business activities. Management and implementation of BCM in the Bank and its Subsidiaries is not only focused on handling disturbance like a natural disaster, but also focuses and covers the disorders that might threaten the strategic plan of the Bank' operations.

In accordance to the above reasons, the Bank has:

a) Expanded the scope of BCM (framework and the implementation) as well as the development plan to all lines of business of the Bank by improving BCM awareness and knowledge of all staff through internal training, socialization to regions, workshops and email blasts.
b) Ensured that the BCM plan is up to date and effective by periodically exercising, testing, maintaining and reviewing the policies and procedures in line with the strategy of the Bank.

TBCM's framework and programs are prepared with the following objectives:

a. The Bank and its Subsidiaries can in a timely manner recover and continue the operation processes and business activities from all functions/units in the event of crisis or disaster.
b. The Bank and its Subsidiaries have adequate resources that may be required to support the recovery process under a crisis situation
c. Minimize the impact to the Bank and Subsidiaries under a crisis situation so services can continue to be provided to customers.
d. Minimize the reputation risk.
e. Improve the trust of the public and macro financial system to the Bank and its Subsidiaries.
f. Improve the Bank resiliency and recovery capacity.
g. Ensure the existence of the Bank under a crisis situation.

Implementation of BCM related programs at Danamon involves all components and getting a full management support, starting from planning, compilation, maintenance, monitoring and upgrading. With the full involvement and support of all components, Danamon was able to maintain and improve its resilience by handling all incidents occurring during 2017.

7) Fraud & QA

Danamon mitigates and manages risks arising from fraud, based on the framework of anti fraud strategy as set forth in "Fraud Management Policy and Framework" which has been implemented nationally and in the Bank and Subsidiaries. These policies and strategies are in line with Bank Indonesia Circular Letter No. 13/28/DPNP regarding the implementation of anti- fraud strategy for commercial banks where Danamon has reported to OJK every semester.

Danamon has consistently implemented the 4 pillar interrelated fraud control strategy, consisting of prevention detection, investigation, reporting & sanctions, and monitoring, evaluation, and follow-up.

Fraud can affect any part of an institution, and the Bank needs to remain vigilant and put more emphasis on internal control and risk management

Danamon has implemented this strategy with various initiatives by involving employees and systems, including continuous improvement on the effectiveness of internal control, active supervision from the management, as well as development of a culture of, and concern for, Anti-Fraud across all levels of Danamon's organization.

Implementation of Quality Assurance and Internal Control on each unit of the Bank refers to the general practices in the industry (COSO), application of quantitative measurements as well as Bank-wide control effectiveness, cross validation with a control mechanism conducted by independent parties (SKAI/Internal Audit). The focus of QA for this year and coming years is to develop an integrated, effective, measurable, and informative QA application system, which will be implemented across the QA Units in Danamon and Subsidiaries.

E. Legal Risk

Legal risk arises from lawsuits or claims from customers or third parties through the courts of law or outside court, caused either by internal or external parties and/or from weakness of juridical aspects of the Bank, including the absence of legal documents and regulations or weaknesses in the legally binding documents. In the Risk Management Framework and in accordance with the prevailing regulations, legal risk, importantly and essentially, aims to anticipate future risks.

Along with the increasing scope of Danamon's business and dynamic product development as influenced by many factors, the level of legal risk needs to be properly managed. Basically, the main objective of legal risk management implementation is to ensure that the risk management process can minimize the possibility of negative impacts of juridical weakness, and the absence and/or amendments of legislation and litigation processes in the activities of Danamon and its Subsidiaries.

1) Danamon Legal Risk Management Organization
   Legal risk in Danamon is managed by a team coordinated by the Legal Division and chaired by the General Legal Counsel. In the implementation of legal risk management, the Legal Risk Management Team cooperates with the relevant working units, namely, the Litigation Division; Hello Danamon; Industrial Relation Division; Consumer Legal and Collection Division; and Remedial division in each line of business (in accordance with execution of Mortgage and bankruptcy).

   Meanwhile, in line with consolidated Danamon Legal Risk management, the Legal Risk Management Team cooperates with its counterparts in the legal risk management teams in PT Adira Dinamika Multi Finance Tbk. and PT Adira Quantum Multifinance (in bankruptcy).

2) Policies and Legal Risk Management Procedures
   Danamon already has a Legal Term Framework and standard operating procedure (SOP) of Legal Risk Management Implementation, which are evaluated periodically based on the Bank's internal/external development as well as changes in the applicable legislation, adapted to the regulation of Financial Services Authority (OJK) and the implementing regulations in accordance with the risk management.

3) Legal Risk Management and Control Mechanism
   Legal Risk Management is conducted through a process of identification, assessment, monitoring, and risk control as well as through a management system. In the identification process, all lines of business, support functions, and Danamon's Subsidiaries need to identify and analyze the factors that can lead to the occurrence of legal risk in lines of business, products, processes and information technology that have an impact on the Danamon's financial position and reputation. Identification of risk also includes legal risk assessments arising from operating activities, products, agreements, and inherent risks.

In assessing inherent risk over legal risk, the parameters/indicators used are:
- Litigation factor.
- Weaknesses in Binding Commitments factor.
- Absence/changes in regulations/legislation factor.

In relation to implementation of the legal risk management, Danamon has implemented the following:
- Implementation of legal risk monitoring by Danamon Senior Management (especially legal cases with the high risk rating).
- Realization of Legal Term Framework and Standard Operation Procedure (SOP) of Legal Risk Management Implementation, which among other matters, regulates the identification and mapping of legal risks including the mitigations and matrix parameters for the inherent risk and quality of legal risk management.
- The establishment of working units designated by management to monitor and manage the inherent legal risk in a product and Danamon's or its Subsidiaries' activities so that the evaluation of existing legal risk does not act as a trigger for other risks.

The implementation of a comprehensive legal risk management process with monitoring of the legal risk is expected to be consistent, with active participation of all concerned parties. Through joint efforts with the Legal Division and Litigation Division as the division in charge, the existing risks are expected not to exceed the risk appetite determined by management of Danamon, and to decrease the risk rating of existing legal cases. To assure the improvement of legal risk management, Danamon regularly provides legal training/socialization for employees.

F. Strategic Risk

Weaknesses or inaccuracies in strategy formulation, as well as failure to anticipate changes in the business environment could cause strategic risk. Strategic risk management is intended to address a variety of risks due to inadequate strategy establishment and implementation.

1) Strategic Risk Management Organization
   The Strategic Risk Unit plays a role in managing strategic risk and is under active supervision of the Board of Commissioners and Board of Directors. Danamon's Strategic Risk Unit covers all lines of business and support functions which also working closely with the finance division to analyze and monitor strategic risk.

2) Strategic Risk Management
   The implementation of strategic risk management is done through active supervision of the Boards of Commissioners and Directors. The Board of Commissioners is responsible for directing and approving the Bank's business plan for the Bank itself and for its Subsidiaries. While the Board of Directors is responsible for:
   - Developing a strategic business plan for Danamon and its Subsidiaries.
   - Ensuring that the strategic objectives are in line with Danamon's and its Subsidiaries' mission, vision, culture, business direction and risk tolerance.
   - Approving changes in the strategic plans and periodically assessing their suitability.
   - Ensuring that conditions, managerial competence as well as systems and control mechanisms in Danamon and Subsidiaries are adequate to support the implementation of the strategy set.
   - Monitoring the development of internal and external environment that affect Danamon's and Subsidiaries' business strategies.
   - Establishing working units that are responsible and authorized to formulate and monitor the strategy implementation, of both business and strategic plans.
   - To ensure that strategic risk management has been applied effectively and consistently.

Danamon and Subsidiaries managed strategic risk by monitoring the inherent strategic risk as well as the quality of strategic risk management. The parameters used in assessing inherent strategic risk are as follows:

- The influence of external risk factors, including macroeconomic conditions, regulations, technology, target customers, competition, as well as the Bank's and subsidiaries' positions in the banking/ financial industry.
- The impact of internal risk factors, including the alignment of business strategy, business model and strategy focus, effective organizational structure, adequacy and quality of human resources, technology and operational efficiency.
- Monitoring strategy implementation, including the result of successful implementation of strategic risk, strategic projects, and impact of strategic decisions.

Furthermore, in assessing the quality of strategic risk management, the considering factors were:

- Risk Governance, including risk preference, risk tolerance and active supervision by the Board of Commissioners and Board of Directors.
- Risk management framework, including the adequacy of organization structure, policy and procedure.
- Risk management process, human resources and management information systems, including the process of identification, measurement, information system management and risk control, as well as the number and quality of human resources to support risk management.
- Risk control system, including the adequacy of internal control systems, and the adequacy of reviews by independent parties in the Bank and Subsidiaries.

3) Inherent Strategic Risk
Danamon and Subsidiaries have managed the inherent strategic risk well. In essence, Danamon and Subsidiaries have a clear and well-defined vision and mission as well as a good organizational culture in line with the business processes and structure. Danamon and Subsidiaries also have a clear, aligned and measurable business strategy.

Danamon and its Subsidiaries anticipate more intensified competitive business environment and plan to introduce better services to attract new customers and retain existing customers.

Despite improvements, economic factors still affect the achievement of the Bank's strategic plan. For that reason, Danamon and its Subsidiaries continue to monitor several indicators such as inflation rate, Bank Indonesia rate, and fluctuation in the Rupiah exchange rate. Danamon and its Subsidiaries are actively adjusting a number of their activities, such as lending and enchancing operational cost efficiency.

Competition in customer service directly affects the competition between companies in acquiring qualified human resources (HR). Employee turnover and performance levels and multiple vacant positions in some divisions and subsidiaries are also became management attention. On top of that, there are various positions within the organizational structure that have not been filled by the ideal resources as well as the relatively limited bench strength resources available in Danamon. Danamon responded this matters promptly by enhancing the available human resources to Danamon's and its Subsidiaries' aspirations by providing the necessary training, and opportunities for its human resources to excel. Additionally, Danamon and its Subsidiaries continue to improve employees performance appraisals mechanism to encourage employee performances as well as rewarding the best performing employee.

4) Strategic Risk Management Implementation Quality
The implementation of risk management has been accomplished with satisfactory rating. Nevertheless, Danamon and its Subsidiaries continue to improve upon it. The formulation of an acceptable level of risk (risk appetite) is sufficient in the form of limits, policies and procedures for risky processes. Risk managers in each division and Subsidiaries are in place to support the implementation of business strategies that have been formulated.

Danamon and Subsidiaries continue to monitor various relevant strategic risk elements and regularly update the mitigation action plan in response to changing situations.

G. Compliance Risk

Compliance risk is the risk arising from the Bank's failure to comply with or act in accordance with the laws and regulations. Compliance Risk is generally derived from behavior or activity that deviates or violates the prevailing laws or regulations, and activities that deviate from generally accepted standards.

Implementation of risk management for Compliance Risk is conducted in order to minimize the possible negative impact of Bank activity that deviates from or violates generally accepted standards and/or laws and regulations. In the application of risk management, in addition to the Individual Compliance Risk, Danamon also considers Integrated Compliance Risk with Subsidiaries in the Financial Conglomeration.

1) Compliance Risk Management Organization
The risk management organization involves the supervision of the Board of Commissioners and the Board of Directors, which includes the active supervision of the Board of Commissioners and the Board of Directors on Compliance Risk. To

support those supervisory functions, the Bank has established the necessary committees, such as the Risk Monitoring Committee at the Board of Commissioners level and the Risk Management Committee at the Board of Directors level.

The Board of Commissioners through the Risk Monitoring Committee oversees the policies and implementation of risk management, including the implementation of compliance function in compliance risk management. The Board of Directors plays an active role in nurturing and realizing the compliance culture at all levels of the organization and business activities of the Bank. The Board of Directors ensures compliance is enforced and establishes Compliance Working Unit.

The Bank appoints a Compliance Director, who fulfills the independency requirements and does not hold concurrent positions as prohibited by regulation. The Compliance Director plays an important role in Risk Management for Compliance Risk and has the responsibility to enforce the Bank's compliance function.

The Compliance Function is a set of preventive actions or measures (ex-ante) to ensure that the policies, rules, systems and procedures and business activities undertaken by the Bank comply with the Financial Services Authority (OJK) regulations and the laws and regulations, including Syariah principles for Syariah commercial banks and Syariah business units, and to ensure the Bank's compliance with commitments made by the Bank to the Financial Services Authority (OJK) and/or other regulatory authorities.

In performing its duties and responsibilities, the Compliance Director is supported by Compliance Working Unit. Compliance Working Unit is an independent unit, directly responsible to the Compliance Director. Compliance Working Unit of the Bank also performs the functions of the Integrated Compliance Working Unit in the Financial Conglomeration.

Compliance Working Unit's roles and responsibilities are among others: to take necessary measures in supporting the formation of a compliance culture, to identify, measure, monitor, and control issues related to compliance risk management, to conduct compliance reviews, to assess and evaluate the adequacy and conformity of policies, and to carry out other tasks related to compliance function.

2) Strategy & Effectiveness of Compliance Risk Management

In general, Compliance Risk Management is implemented in accordance with the Bank's Integrated Risk Management Policy and the Bank's Compliance Terms of Reference. Compliance risk management is performed on matters that may potentially lead to an increase in compliance risk exposure, both penalty and reputation risks.

The compliance risk management strategy is implemented through a 3 (three) lines of defense scheme.

The first line of defense in managing Compliance Risk is the lines of business, Operations and Support Unit responsible for risks that arise in each of its activities.

The second line of defense is the Compliance Working Unit and Risk Management Working Unit. The Compliance Working Unit is responsible in ensuring that all applicable regulations are implemented by all Business, Operations, and Support Units, while the Risk Management Working Unit ensures that the risks taken are accurately identified, measured and managed in line with approved parameters.

The Internal Audit Unit (SKAI) serves as the third line of defense through independent testing and auditing of the accuracy of the Business, Operations, and Support Business Unit process to ensure that the working unit has performed its functions and responsibilities and complies with the risk management policies and procedures.

3) Compliance Risk Management Implementation Procedures
Compliance risk management Implementation is conducted through the process of identification, measurement, monitoring, and risk control. The process of identifying and measuring compliance risks is done through assessment of bank's policies, fund provisioning and raising activities, and other business activities.

This process is carried out to detect potential non-compliance with applicable laws and regulations, prudential principles, and sound business ethics standards. Compliance risk monitoring and control are conducted based on the compliance review of Bank's policies and activities, results of compliance review of self assessment, and fulfillment of commitments to the Financial Services Authority (OJK) and Bank Indonesia, including the fulfillment of key regulatory requirements of Danamon and subsidiaries. Danamon as the main entity coordinates, monitors, and evaluates the implementation of the Subsidiaries' compliance function.

H. Reputation Risk

Reputation risk is defined as the risks associated with adverse negative perception of a bank, 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 impair the Bank's reputation.

1) Reputation Risk Management Organization
The Danamon reputation risk is managed by Corporate Secretary Unit, which coordinate with Integrated Risk Unit and collaborate with Corporate Communication Unit, Service Quality & Contact Center Unit, Compliance Unit and others.

Due to the importance of Danamon reputation, the reputation risk is integrated managed by the units that handle customer complaint, public relation, counter the negative news and communicate the important information to the stakeholders.

In term of consolidated reputation risk management, the team collaborate with the risk team from PT Adira Dinamika Multi Finance, Tbk. and PT Adira Quantum Multi Finance.

2) Policy and Mechanism of Reputation Risk Management
The policy and mechanism of reputation risk management are aligned with the applicable regulations that focus on inherent reputation risk management, such as:
a) Negative news related to the owner of Danamon and/or companies related to Danamon.
b) Violation of common practices of business ethics/norms.
c) The amount and level of customer usage of Danamon's complex products and the amount and materiality of Danamon' s cooperation with its business partners.
d) The frequency, types of media, and materiality of negative publicity of Danamon, including its officials.
e) The frequency and materiality of customer complaints.

Danamon strives to implement high standards of reputation risk management through continuous improvement and updates of governance, policies and appropriate procedures, utilization of improved information systems, as well as continuous improvement to the quality of human resources.

3) Risk Management During Crisis
Danamon already have the policy and procedure in handling all activities during the crisis, including the risk reputation management.

I. Investment Risk

Investment Risk (Equity Investment Risk) arises because the Bank also bears the loss of customer business financed under a profit-loss sharing basis agreement. This risk arises from the Bank's financing activities that use 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 customer, who acts as fund manager, by sharing in the profit of the business, based on the contract agreement, while the loss will be fully borne by the Bank unless the customer is proven to have committed willful misconduct, is negligent or has violated the agreement.

Financing based on a musyarakah contract takes the form of cooperation between the Bank and its customers for a certain business, in which each party invests a 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.

Organization and Policy of Investment Risk Management

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

Syariah Business Unit (UUS) Danamon has a working unit responsible for analyzing reports containing actual realization against the business targets. Danamon maintains adequate infrastructure to monitor business performance and operations of those financed by the Bank or who are regarded as partners.

Investment Risk Mitigation

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

J. Rate of Return Risk

Rate of Return Risk arises from changes in the level of return rate paid by the Bank to a customer, due to changes in returns received by the Bank from the disbursement of funds, which can affect the behavior of funding a third-party customer of the Bank. Rate of Return Risk Management also applies to the Syariah Business Unit (UUS). The process of Return of Risk Management refers to the provisions of the OJK.

K. Intragroup Transaction Risk

Intragroup Transaction Risk is the risk due to the dependence of an entity either directly or indirectly to other entities in a Financial Conglomeration to fulfill its obligation in written agreements and non-written agreements either followed by transfering of funds or not.

1) Organization and Policy of Intragroup Transaction Risk

   Intragroup Transaction Risk is managed by the Bank as the main entity and its Subsidiaries as the members of the Financial Conglomeration. The implementation of Intragroup Transaction Risk Management is conducted by taking into account the transaction activities between entities within the Financial Conglomeration.

   The Bank as the main entity governs the implementation of intragroup transaction risk management in the Integrated Risk Management Policy that are periodically reviewed. The implementation of Intragroup Transaction Risk Management is conducted through the process of risk identification, measurement, monitoring, and control, as well as the Management Information System.

2) Intragroup Transaction Risk Management

   Danamon and its Subsidiaries identify the types of intragroup transactions which may cause the risks to the Financial Conglomeration and be responsible in conducting the integrated measurement of intragroup transaction risks within the Financial Conglomeration.

   Danamon and its Subsidiaries monitor the intragroup transactions to ensure that the intragroup transactions are conducted in accordance with the fairness principles, prevailing regulations and well documented. Monitoring of intragroup transactions between entities in the Financial Conglomeration is conducted periodically.

Danamon and its Subsidiaries incorporated in the Financial Conglomeration are committed to control the intragroup transactions that may cause a risk to the Financial Conglomeration. Risk control is performed on the monitoring result of intragroup transactions between entities in the Financial Conglomeration. Intragroup transactions between entities in the Financial Conglomeration are monitored by using the Management Information System that is available in each entity within the Financial Conglomeration.

Danamon has implemented the assessment for risk profile of intragroup transaction for the Financial Conglomeration that integrated with the Subsidiaries. The reporting of intragroup transaction risk management is prepared comprehensively and periodically to the management and regulator to monitor, assess and evaluate the risks continously.

L. Insurance Risk

Insurance Risks are associated with insurance business practices and applications that may lead to financial loss. The implementation of Insurance Risk Management of the Financial Group is conducted in an integrated manner by the Insurance Subsidiary under the Bank's supervision as the main entity.

Insurance Risk is due to failure of the insurance company in fulfilling its obligation to the policy holder as a result of the inadequacy of the underwriting process, pricing, reinsurance and/or claim handling.

1) Organization and Policy of Insurance Risk Management
   Insurance risk is managed by Danamon's Insurance Subsidiary with supervision from Bank Danamon Indonesia as the main entity. The Insurance Subsidiary has a risk management policy that regulates the risk management framework and process of the insurance company under Financial Services Authority Regulation No. 1/POJK.05/2015 on the Application of Risk Management for Non-Bank Financial Services Institutions, reviewed periodically. The categories of risks managed are Insurance Risk, Strategy Risk, Operational Risk, Asset & Liability Risk, Management Risk, Governance Risk, and Fund Support Risk.

   In the implementation of risk management in insurance companies, the Subsidiary has covered:
   a) Active supervision of directors, and commissioners.
   b) Ensure the adequacy of policies, procedures, and the determination of risk limits.
   c) Ensure the adequacy of the process of identification, measurement, monitoring, and risk control.
   d) Ensure the adequacy of risk management information systems.
   e) Ensure the implementation of a comprehensive internal control system.

   To assist the implementation of risk management in Insurance Company, a committee is formed to monitor the implementation of risk management. Based on its function, the established committees are divided into 2 (two) elements, namely:
   a) Committees under the Board of Commissioners
      - Audit Committee
      - Risk Monitoring Committee
      - Nomination Committee
      - Remuneration Committee
   b) Committees under the Board of Directors
      - Risk Management Committee
      - Anti-Fraud Committee
      - Assets & Liabilities Committee
      - Service Committee
      - Product Committee
      - Human Capital Committee
2) Insurance Risk Management
   The implementation of insurance risk management is accomplished through identification, assessment, monitoring, and risk control as well as the management information system. The insurance subsidiary is responsible for identifying and assessing insurance risks which may arise in each product as well as in various insurance activities.

Insurance risk management consists of the management of inherent risk and the implementation of control management, namely:

a) Management of insurance risk covers:
   - The nature of the insurance business
     Short versus long-tail Product Management, short-term coverage and long-term coverage, and the risk level of the business covered.
   - Composition and Diversification of Business Portfolios
     Management of business diversification and market segmentation.
   - Reinsurance Structure
     Management of the reinsured portion of risk, type of reinsurance and reinsurance program, reinsurer company, and reinsurance concentration.

b) Insurance risk control management covers:
   - Board of Directors and Management comprehension
     Improve understanding of insurance risk issues and monitoring of insurance risks.
   - Product Design
     Establish policies and procedures in product development, lines of business and product type, product approval process, product risk assessment, product modification, policy wording, and reinsurance requirements.
   - Premium Setting
     Establish policies and procedures for premium determination, claims estimation (cost of claim), rate of return on investment, cost and commission assumptions, quality of risk profile data, profitability, analysis of market conditions and competitors, reinsurance, premium rate review, and premium rate changes.
   - Underwriting
     Establish underwriting policies and procedures, underwriting function structure, underwriting infrastructure, delegation of authority, manual underwriting, compliance with policies and procedures, portfolio monitoring, data quality, and reinsurance considerations.
   - Valuation of Liabilities
     Ensure availability of liability valuation reports, financial condition reports, and data integrity.
   - Reinsurance
     Establish the structure of the reinsurance program, the structure of the reinsurance function, reinsurance management, reinsurance documentation, and reinsurance companies that become partners.
   - Claims
     Establish a structure of claim handling functions, claim policies and procedures, claim handling processes, human resources, system and data quality, portfolio monitoring, claim leakage, reinsurance and fraud claims.
   - Product Distribution
     Review the selection of distribution channels, marketing and e-business systems, cooperation agreements, distribution line conflicts, commission structure, and mis-selling.
   - Review by Independent Party
     Obtain internal and/or external auditors' opinions and supervision of risk management functions.

The insurance subsidiary is also responsible for monitoring and controlling inherent insurance risks. The implementation of insurance risk management is supported by accurate and adequate Management Information Systems as well as being capable of delivering necessary data, required in each stage of risk management.

Bank Danamon Indonesia and its insurance Subsidiary implement an insurance risk profile for financial conglomeration. Insurance risk management reporting will be conducted comprehensively and periodically to management and regulators to monitor, assess and evaluate risks in a sustainable way

Basel III Implementation

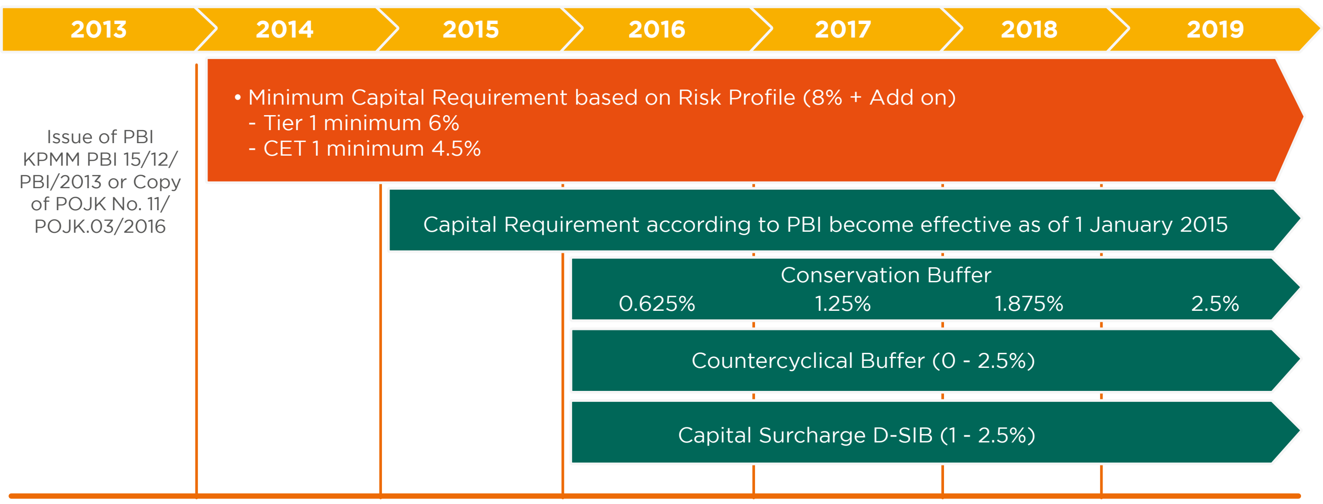
The banking industry enhanced the existing capital framework through various discussions organized at the global level through the concept of Basel II improvement, namely Basel III. Basel III has the objectives to manage banking issues by improving the capacity of the banking sector to absorb risks that may arise from financial and economic crisis, preventing financial events from influencing the economic sectors, improving the quality of risk management, governance, transparency, and disclosure, and providing the best solution for systematically important cross border banking. Basel III is expected to strengthen micro prudential management to increase the robustness and resilience of a bank during a crisis.

In the context of micro-prudence, the Basel III framework requires higher standards and levels of capital quality, focusing mainly on common equity and adequacy of capital buffers managed by individual banks by requiring allowance for a reserve buffer.

Basel III also covers the macro-prudential aspect by developing indicators to monitor the level of pro-cyclicality of financial systems and requires banks, especially systemically important banks and financial institutions, to prepare buffers during boom periods of the economy in order to absorb losses during a crisis (bust period), namely countercyclical capital buffer, as well as capital surcharge for the systemically important financial institutions. The micro and macro aspects are very closely interrelated and require sustainable monitoring.

To prepare for Basel III implementation, regulators have issued regulations concerning Minimum Capital Adequacy Requirement for Commercial Banks. Danamon supports the preparation process towards Basel III implementation, considering that the framework is vital in ensuring robust development of the national banking industry and will enable Indonesia's banking industry to participate at the global banking level.

The following illustrates Danamon's phases in preparation for Basel III, in conjunction with the management of capital:



In terms of bank liquidity management, the application of Liquidity Coverage Ratio is based on Financial Services Authority Regulation (POJK) No.42/POJK.03/2015 on Liquidity Coverage Ratio-LCR for Commercial Banks issued in December 2015 and POJK No.32/POJK.03/2016 on Transparency and Publication of Bank Reports in August 2016, whose implementation is in compliance with the Basel III liquidity framework.

Referring to the POJK, the implementation of the LCR framework is done in stages. As a Bank in the BUKU 3 group, Danamon is included in the Second Stage time scheme. The effective period of the POJK implementation began on June 30, 2016 with an initial rate of 70% and increases at the end of each year up to 100% by December 31, 2018. LCR aspects related to calculation, implementation period, reporting, and publication refer to the above POJK.

In addition to LCR, Basel also introduced an additional ratio of Net Stable Funding Ratio (NSFR) as a complement to liquidity risk management, as well as leverage ratio as a complement to capital ratios. The introduction of leverage ratio is the backstop of capital ratio, according to risk profile, to prevent the occurrence of the deleveraging process which can damage the financial system and economy.

The implementation of the Net Stable Funding Ratio (NSFR) is based on Financial Services Authority Regulation (POJK) No. 50/POJK.03/2017 on Obligation of Net Stable Funding Ratio (NSFR) for Commercial Banks issued in July 2017. Implementation of the POJK is effective as of January 2018, with a minimum ratio of 100%. NSFR aspects related to calculation, implementation period, reporting, publication, and others refer to the above POJK.

Determination of Risk Appetite

Risk Appetite is the amount of risk that is prepared to take/tolerate in the pursuit of its business objectives. Establishment of Risk Appetite is not to limit risk taking, but it aims to provide transparency and ensure that the risk profile is aligned to its business strategy.

Bank has set the Group Risk Appetite and has been approved by the Board of Commissioners and Directors, including cascading into the Lines of Business and Subsidiaries level. Bank will also review the Risk Appetite in a regular basis to ensure that it is aligned with the changes of internal and external conditions of the Bank, management expectations, as well as the regulatory provisions.

The determination of the various parameters of Risk Appetite is based on various risks which are deemed material for the Bank, which covering capital, credit risk, liquidity risk, credit concentration risk, operational risk, and fraud. In addition, the Bank also set various risk limits for each type of risk and certain functional activities that have risk exposure, which shall conform to the established Risk Appetite.

To ensure the effectiveness of Risk Appetite management, the Bank also has a Risk Appetite Statements Policy. This policy outlines the duties and responsibilities of each party in the management of the Risk Appetite, and governs the process of defining, reviewing, and monitoring, including escalating of breaches in Risk Appetite.

Recovery Plan

Following the recent financial crisis, regulations have been put in place globally requiring systemic financial institutions to develop recovery and resolution plans. In April 2017, OJK has issued a regulatory requirement, No. 14/POJK/2017 for Systemic Banks in Indonesia to develop and implement a Recovery Plan. The

Recovery Plan is established to ensure that Systemic Banks have established credible and feasible recovery options to survive a range of severe but plausible stress scenarios.

Being one of the Systemic Banks in Indonesia, Danamon has developed Recovery Plan that complies with the aforementioned regulations, which Danamon submitted to OJK in December 2017.

Danamon has assessed the contribution of each line of business and Subsidiaries from both quantitative (i.e. profit, funding and loan book) and qualitative perspectives in order to identify the material line of business and Subsidiaries, including the Bank's office network.

As part of the regulation's requirement, Systemic Banks in Indonesia are required to conduct a wide range of scenario analysis in order to assess the resilience and potential vulnerabilities of the Bank to several indicators that are specified by OJK (i.e. capital, liquidity, asset quality and profitability). The scenario analysis outcome indicates that Danamon remains resilient even under severe stress conditions.

Danamon will implement a traffic light system for the implementation of the Recovery Plan with clearly established thresholds as triggers for three phases of recovery plan, namely "Preventive", "Recovery" and "Corrective". There are various recovery options that are assessed in terms of feasibility, credibility, implementation timeframe and effectiveness. These recovery options cover Danamon's key financial indicators, namely capital, liquidity, asset quality and profitability and will form the basis of the Bank's Recovery Plan and strategy under stressed conditions.

This Recovery Plan has been approved by the President Director, President Commissioner and Controlling Shareholder to be subsequently scheduled into the next AGMS/EGMS in 2018 to obtain approval from shareholders.

RISK MANAGEMENT ACTIVITY PLAN IN 2018

Indonesia's economy in 2018 is forecasted to be better compared to 2017 at 5.27% growth. This optimism is supported by the likelihood of domestic consumption recovery and the systematic inflow of investment. The gradually recovering global economy will have a positive effect on the Indonesian economy. However, the challenges are still exist, especially in global financial markets related to the risk of tightening monetary policy in US and European Union.

The following are some challenges that will be faced in 2018:

- The Rupiah exchange rate against the US dollar has the potential to be slightly under pressure as a result of negative sentiment in the domestic financial market as a result of the tightening US monetary policy, and a reduction in quantitative easing in European Union.
- The inflation rate is expected to be relatively stable at 3.5%, assuming the price of subsidized fuel does not increase. Nevertheless, there will be an upside risk of inflation related to global oil price fluctuations.
- With a controlled inflation rate and minimal pressure on currency, Bank Indonesia is expected to keep its benchmark interest rate (interest rate of Repo 7 days) at 4.25%.
- Commodity price could fluctuate after experiencing a significant increase in 2017. Export commodity price of Crude Palm Oil is forecasted to experience limited increment in line with the increasing of demand as result of global economic recovery. However, the prospect of other commodity price, like coal is expected to be stagnant with the likelihood of decline. Thus the outlook for Indonesia's export performance is expected to improve, although not as marked as in previous year.
- Implementation of the government's fiscal stimulus policy as well as the intensification of social aid ("bansos") and village aid funds will provide a positive bearing on the economy, especially for the poor and lower income levels.

Anticipating these external conditions, Danamon has prepared a range of initiatives in terms of risk management in 2018, including:

1) Integrated Risk Management.
   a) Perform Risk Appetite Statement reviews on a regular basis.
   b) Improve risk monitoring and control in the implementation of Integrated Risk Management for the Financial Conglomeration.
   c) Conduct a comprehensive review on the integrated risk monitoring and measurement process.
   d) Keep Danamon's business growth at an acceptable level while remaining prudent.
   e) Maintain optimal implementation of Danamon's activities at a healthy liquidity risk level according to the applicable limit.
   f) Restructure the Integrated Risk Management Directorate to improve the effectiveness and productivity.
   g) Apply the study results of Risk Culture to build and raise awareness on the importance of Risk Culture in Danamon.
   h) Prepare Sustainable Finance Action Plan and policy related to the implementation of OJK Regulation on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies.

2) Credit Risk Management.
   a. Review the credit policies periodically.
   b. To continue the system implementation of Credit Risk Internal Rating Model and Scorecard for all Line of Business gradually, such as the system implementation of retail scorecard model for SME (Small and Medium Enterprise Credit) and Mortgage (Housing Loan). To enhance the Scorecard model system using RBE (Rule Based Engine) for Credit Card and Unsecured Personal Loan line of business.
   c. Implement ICAAP framework.
   d. Using Standardize Approach for Credit Risk Weighted Assets calculations.
   e. Perform periodically rating model scorecard evaluation.
   f. Conduct bank-wide stress testing at least once a year. Stress testing is conducted if there are any changes in the industrial and economic sectors and when requested by the regulator.
   g. Perform quarterly back testing for CKPN adequacy for all lines of business.
   h. System development for IFRS9 Model implementation, in preparation to calculate Expected Credit Losses (ECL)/CKPN that comply with IFRS9 rules.
   i. Implement Internal Rating Refinement for Corporate and Commercial.
   j. Implementation of Early Warning Indicator model for Corporate and Commercial line of business.
   k. Perform Risk Based Pricing Refinement for Corporate and Commercial line of business.
   l. Develop and refine scorecard model using Big Data Platform.

3) Operational Risk and Fraud Management.
   a. The implementation of ORM cycles has been and will continue to be consistent, including the identification, measurement, monitoring and control of operational risks to Danamon and its subsidiaries.
   b. The application of anti fraud strategy is continuously improved and adapted to the latest developments and fraud trends, including the application of systems and technology as support for detection pillars and pillars of reporting and sanctions, covering credit and non-credit cases.

c. Risk identification conducted through the implementation of risk registration and risk assessment of existing products, processes and systems as well as new systems to determine the inherent risks and the mitigation action required.
d) Capture risk/loss event data and its contributing factors, carried out in a centralized database, conduct RCSA activities periodically, report related risks, and monitor operational risks through the Key Risk Indicator (KRI).
e) Development of the Operational Risk Management System (ORMS) application for the effectiveness of ORM cycle implementation in all units of Danamon and its Subsidiaries.
f) Asset and financial insurance (money insurance, property all risks, bankers blanket bonds/ electronic computer crime, Directors & officers, and Electronic Equipment Insurance) as one of the most important forms of operational risk mitigation have been coordinated by the insurance coordinator within ORM Division.
g) ORM workshops and dissemination, and visits to RTUs and training (Risk School and E-Learning) to new employees are continuously implemented to ensure continuity and operational risk awareness level uniformity and risk culture recognition in Danamon.
h) Performing assessment to identify any gaps and/or potential vulnerability from the Information Security implementation of the agreed policy. This also includes providing a direction for risk taking units, from risk management perspective, to complete the action plan in order to close those gaps and/or potential vulnerability as identified.
i) Developing and implementing the Cyber Security Incident policy, procedures and handling guidelines.
j) Rolling out the Information Security and Business Continuity Management (BCM) awareness program, with intention to embed these aspects, as a culture, to all employees in doing their daily operational job.
k) Developing and implementing BCM comprehensively, to ensure readiness of the line of business and support function units in maintaining the business continuity during the emergency or crisis situation.
l) Rectify escalation and self raise issue campaign to ensure Danamon employees proactively identify risks to conduct necessary corrective actions prior to any operational risk incident.

4) Market Risk and Liquidity Management.
   a) Continue to exercise ICAAP-related Stress Testing to ensure that Danamon has the capacity to survive in the event of liquidity stress conditions.
   b) Implement Net Stable Funding Ratio (NSFR) measurement through the ALM system in accordance with OJK regulations.
   c) Conduct studies and implementation of the model in line with OJK and Bank Indonesia Regulations, including the implementation of Bottom Up Stress Test (BUST).
   d) Carry out preparation for Interest Rate Risk implementation in the Banking Book (IRRBB) measurement in accordance with Basel III and the OJK Consultative Paper published in June 2017.