

05

Operational Review





Risk Management



Danamon continuously 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 potential risks in all line of business.

VISION & 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

1. 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.
2. To be a strong advocate of corporate values and principles, supported by a robust risk framework that is well defined, well communicated and pre-emptive in nature.
3. To provide world class policies, models, tools and frameworks that assist in measured and sound risk taking.
4. To sponsor a strong risk and control culture that is pro-active, throughout the Bank and its Subsidiaries.

IMPLEMENTATION OF RISK MANAGEMENT

Three Lines of Defense Approach

To support the effective risk management implementation, Danamon implemented the concept of Three Lines of Defense Approach by dividing the roles and tasks of each working unit in implementing risk management as follows:

Board of Commissioners Supervision		
Board of Directors Supervision		
First Line of Defense	Second Line of Defense	Third Line of Defense
<ul style="list-style-type: none"> Line of Business Operational Working Units Other Supporting Working Units 	<ul style="list-style-type: none"> Integrated Risk Directorate Compliance Division 	<ul style="list-style-type: none"> Internal Audit Working Unit (SKAI)
Line of business, operational working units and other supporting working units are the First Line of Defense who are responsible to daily risk management in each working unit.	Integrated Risk Directorate and Compliance Division have a role as Second Line of Defense to perform the function of risk management monitoring independently.	Internal Audit Working Unit has a role as the Third Line of Defense who responsible for evaluating the implementation of risk management carried out by the First and Second Line of Defense, also provide the recommendation for all weaknesses and things that can be improved, so the implementation of risk management is to be better.

Risk Management in Danamon

In accordance with the Financial Services Authority's (OJK) regulation regarding risk management, the key elements that support Danamon risk management governance structure are:

1. Active supervision of Board of Directors and Board of Commissioners.
2. Adequacy of policies, procedures and limit setup.
3. Adequacy of risk management process and risk management information system.
4. Internal Control System of Risk Management.

Active Supervision of Board of Directors, Board of Commissioners, and Sharia Supervisory Board

The implementation of Risk Management in Danamon involve the active oversight and supervision from the Bank's Board of Directors and Board of Commissioners also Sharia Supervisory Board (for Sharia Business Unit). Recognizing the strategic role of the three boards, Danamon has determined the supervision duties for each board as follows:

Active Supervision Function		
Board of Commissioners (BOC)	Sharia Supervisory Board	Board of Directors (BOD)
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 Sharia Supervisory Board at Sharia Business Unit in accordance with the recommendation from National Sharia Board – <i>Majelis Ulama Indonesia</i> and approval from Financial Services Authority (OJK)	<ul style="list-style-type: none"> As the responsible party for implementation of operational activities, including monitoring the implementation of risk management, BOD 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.
<ol style="list-style-type: none"> 1. Approve the risk management policy, strategy and framework that are aligned with the risk appetite and the risk tolerance, also conduct periodically evaluation. 2. Perform the risk oversight and evaluate the accountability of the BOD on the implementation of risk management policies and strategy, and risk exposures through periodic review with BOD. 	<ol style="list-style-type: none"> 1. Evaluate the Risk Management Policies related to compliance with Sharia Principles. 2. Evaluate the accountability of Board of Directors on the implementation of Risk Management Policy related to compliance with Sharia Principles. 	<ol style="list-style-type: none"> 1. Prepare the written and comprehensive risk management policy, strategy and framework, also responsible for the implementation. 2. Conduct periodically review on the risk assessment methodology, implementation of risk management information system, risk management policies and procedures, and limit setup. 3. Approve the business activities that require BOD approval. 4. Develop the risk management culture at all levels of the organization.

Active Supervision Function		
Board of Commissioners (BOC)	Sharia Supervisory Board	Board of Directors (BOD)
<ul style="list-style-type: none"> 3. Approve the business activities that require the BOC approval. 4. Approve the policy that need the BOC approval as required by BI/OJK regulations or other external regulations. 5. Carry out the risk management function as regulated in the regulations. 6. Delegate the authority to the BOD to enable them to approve the business activities and other tasks. 	<ul style="list-style-type: none"> 3. Acting as an advisor and provide the recommendation to BOD and Sharia business management (officers that are related to implementation of Sharia business) regarding the matters related to Sharia principles. 4. Coordinate with National Sharia Board to discuss the Bank's proposal and recommendation on product and service development which need the review and decision from the National Sharia Board. 	<ul style="list-style-type: none"> 5. Oversee the risk quality compared to the prevailing level of fairness. 6. Ensure the management adopt a prudent and conservative approach in developing their business. 7. Determine the risk appetite. 8. Ensure the corrective action for the findings that reported by Internal Audit (SKAI). 9. Ensure the effectiveness of management and enhancement of human capital competency related to the implementation of risk management. 10. Place the competent officers in the working unit based on the nature, quantity and its complexity. 11. Develop and put in place the mechanism of transaction approval including those which exceed the authority limit for each level of the position. 12. Ensure that risk management function has independently operated.

Risk Management Policies, Procedures, and Limit Setup

Danamon has Integrated Risk Management Policy which include risk management framework for Bank and Financial Conglomeration, also risk management implementation in each type of risk.

Integrated Risk Management Policy is the main policy in the implementation of 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. Danamon as Main Entity and the 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, prudential principles 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.

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.

Danamon and Subsidiaries, both individually and integrated, have established the risk limits in accordance to the level of risk appetite, risk tolerance and business strategies in Financial Conglomeration. Establishment of risk limit is done at the group level and then cascaded to line of business and Subsidiaries.

The policies, procedures, risk limits, and risk management systems are reviewed periodically to be in line with the changes in market conditions, products, and services being offered, also prevailing regulations.

The Organization Structure Of Risk Management

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

a. Risk Monitoring Committee

Risk Monitoring Committee is the highest risk management authority at the Board of Commissioners level. Its main role is to monitor and provide the recommendations to the Board of Commissioners related to the evaluation of risk management policy and the implementation, and the execution of duties of Directors, Risk Management Committee and risk management working unit in the risk management implementation.

b. Risk Management Committee

At the Board of Directors level, a Risk Management Committee has been established to evaluate and provide the recommendation to President Director related to the implementation of risk management strategy and policy, managing overall risks in Danamon as well as in the Subsidiaries, and evaluating significant risk issues.

c. Integrated Risk Management Committee

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 Directors who represent Subsidiaries and related Executive Officers as nominated. The main role of this Committee is to provide the recommendation to Danamon’s Board of Directors as Main Entity related to the preparation, improvement or enhancement of the Integrated Risk Management Policy based on the evaluation of implementation.

d. Risk Management Working Unit

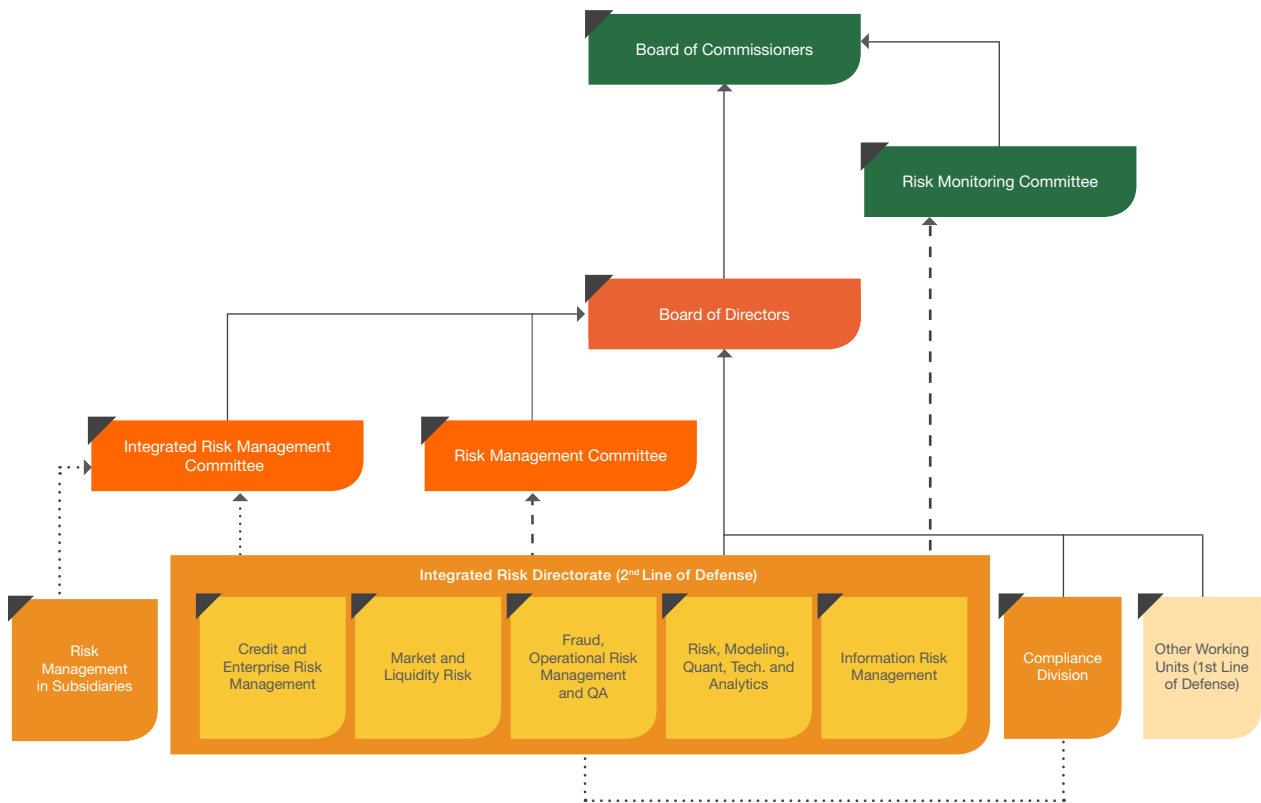
Integrated Risk Directorate is Risk Management Working Unit in Danamon that is independent from risk taking unit and working unit that conduct the internal control function. This Directorate consists of several divisions i.e. Credit & Enterprise Risk Management (CERM), Market & Liquidity Risk (MLR), Fraud, Operational Risk Management & QA (ORM), Information Risk Management (IRM) and Risk Modelling, Quantitative Technic & Analytics (RA).

In the implementation of integrated risk management, the adjustments have been done to Integrated Risk 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.

Integrated Risk Directorate develops an overall risk management strategy that includes the policies, methodologies, frameworks, limits, procedures and control for Danamon and Subsidiaries.

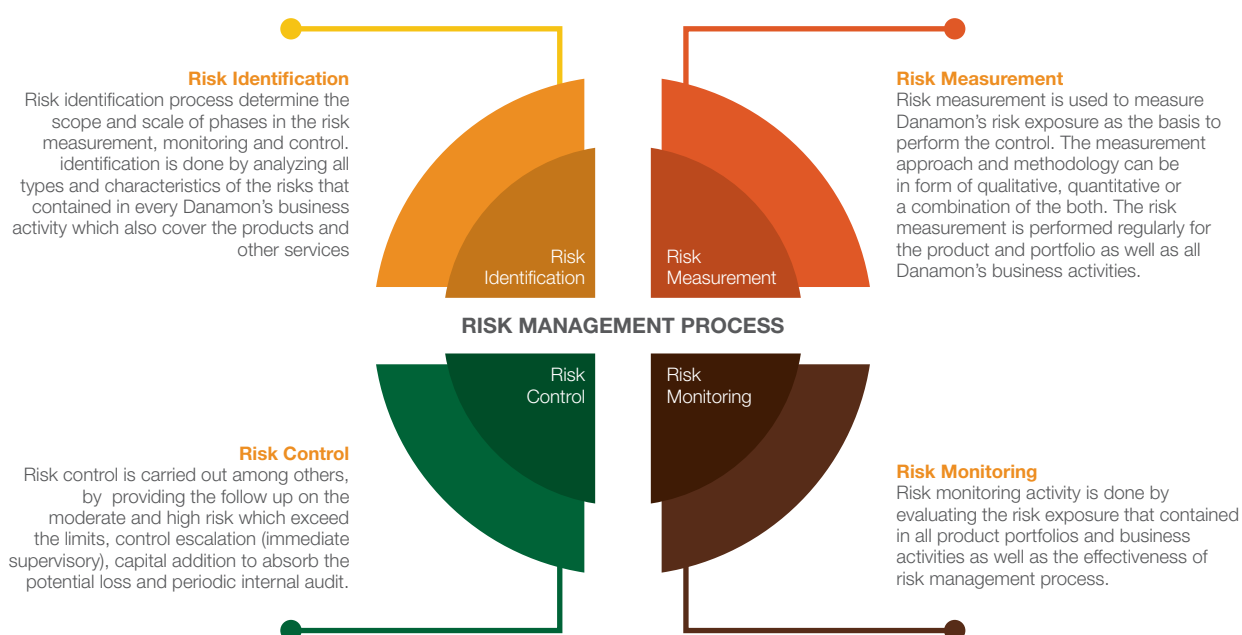
Risk Management Organization Structure



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 Subsidiaries. This process is included in the policy and guidance at every working unit in Bank and Subsidiaries.

The overview of risk management process is as follows:



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

Line 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 the risk. Before entering a risk-bearing activity, risk mitigation should be considered.

In performing its role as a risk monitor and controller in operational unit, Integrated Risk 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 System. 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. Management supervision and culture of control where the Board of Directors and Board of Commissioners are responsible for improving work ethics and high integrity and creating an organizational culture that emphasizes the importance of internal control that applies at the Bank. To support the control culture, the policies, standards and procedures must be documented in writing and available to relevant employees.
- b. Risk identification and assessment are conducted for all type of risks that cover the quantitative and qualitative assessment.
- c. Establishment of organization structure by applying a clear separation of functions between the risk taking units and working units that conduct the internal control function. Control activities and separation of functions are done to manage and control the risks that can affect performance or result in losses.
- d. The existence of an adequate accounting system, information system and communication flow that can produce reports and information needed to support the implementation of the duties of Board of Directors and Board of Commissioners.

- e. Monitoring on the effectiveness of internal control implementation is done continuously. Review and monitoring of every transaction and functional activity that has risk exposure, as required, are done by each working unit. Review on the effectiveness of risk management implementation including the adequacy of policies, procedures and management information systems are done on regular basis. Including conduct internal audit on the risk management process and monitoring the corrective action on audit findings.

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 the implementation of policies, procedures and limits, clear organization structure and adequate four eyes principle and procedures to comply with the regulation.

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 trainings 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 is 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 determined through:

- The direction and supervision from the Board of Commissioners and Board of Directors of Danamon and Subsidiaries.
- Introduction to risk management as an integral part of business practices.
- Compliance with all policies, procedures prevailing laws and regulations.

The risk awareness and culture at all organizational levels is established through:

- Communicate the importance of managing the risks.
- Communicate the risk tolerance level and the expected 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.

Special 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 according to the prevailing regulation.

New product is prepared, recommended and reviewed in accordance to the prevailing policies and must also pass a compliance test before being launched.

The authorization of approval for new product 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 Sharia product, it should be consulted and obtain approval from the Sharia Supervisory Board.

b. Risk Management of Sharia Unit

The implementation of Sharia Risk Management is carried out based on POJK No. 65/POJK.03/2016 regarding the implementation of risk management for Sharia Banks and Sharia 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 Sharia Business Unit. In addition, the Sharia Unit is also guided on sharia principles which are the principle of Islamic law in banking practices based on fatwas that issued by the authorised institution.

Risk measurement is performed by using an appropriate methodology for the characteristics of Sharia Business Unit, through the measurement of risk profile level that evaluated on a quarterly basis.

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

Monitoring and evaluation results of Subsidiaries' risk exposure are reported periodically. 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 18 November 2014 on the Implementation of Integrated Risk Management for Financial Conglomeration and SEOJK No. 14/SEOJK.03/2015 dated 25 May 2015 regarding the Implementation of Integrated Risk Management for Financial Conglomeration. Referring to that regulation, Danamon as the main entity will continue to conduct improvement to the 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 the changes in regulations, business and operational conditions. As a result of the review, Danamon conducts Portfolio Meeting 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 either individually, consolidated or 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, Strategic Risk, Compliance Risk, Reputation Risk, Rate of Return Risk and Investment Risk. While in Integrated Risk Management, the managed risks also include Intra-Group 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 analysed by Danamon during 2018, the composite rating for Danamon's individual, consolidated and integrated risk profile as of 31 December 2018 is ranked at 2 (Low to Moderate).

IMPLEMENTATION OF INTEGRATED RISK MANAGEMENT

In accordance with the 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 following things:

- Established an Integrated Risk Management Committee.
- Adjusted the organization structure by establishing an Integrated Risk Management Working Unit that monitors the risks of Financial Conglomeration.
- Reviewed 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 socialisation with Subsidiaries.

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

During 2018, the Integrated Risk Management Committee held periodically meeting to discuss regarding:

- Integrated Risk Profile Report
- Update from Subsidiaries
- Update of Sharia Risk Profile
- IFRS 9 Update
- Update on Information Security
- Update on NSFR and IRRBB
- Group Risk Appetite Statement
- Recovery Plan
- Other issues that require the recommendations from the Committee.

Risk Management Focus and Activities in 2018

In accordance with the bank's business plan, in 2018, Danamon continued to conduct the previous year programs and implement a number of new programs as follows:

Risks	Activities
Integrated	<ul style="list-style-type: none"> • Implementation of Integrated Risk Management in the Bank and its Subsidiaries within the Financial Conglomeration • Improvement of Risk Profile report in accordance with regulatory requirements • Preparation and submission of Sustainable Finance Action Plan for period of 2019-2023 in order to fulfill POJK no. 51/POJK.03/2017 regarding the Implementation of Sustainable Finance for Financial Service Institutions, Issuers and Public Companies. • Update Recovery Plan in accordance with POJK No. 14/POJK.03 / 2017 for the Systemic Bank • Setting up Risk Academy on an ongoing basis as a means of risk management learning for all Bank employees through face-to-face classroom training, also create and implement various kinds of e-Learning modules related to risk management. • 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 continuously. • Conduct various programs of Risk Culture that focus on the campaign of Three Lines of Defense implementation.
Credit	<ul style="list-style-type: none"> • 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 have been finished and well implemented. • 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 • Implementation 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, Consumption and Investment have been done and well implemented • The Bank has updated the Credit Risk Policy that has been implemented in bankwide. • Established and categorized different types of industries into industrial groups of high, medium, and low risk levels. The Bank will focus its growth on industries with medium and low risk levels. • Continue the focus on acquiring new loans in low risk line of business such as Mortgage and conduct Cross Sell. • Limit the lending to high risk segments such as ABF and UPL. • Stop the lending to high-risk loans in the Micro Credit (SEMM) and strengthen the collection strategy. • Implementation of credit system infrastructure such as Credit Processing System (CPS) and Rules Based Engine in SME 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 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.
Operational, Fraud and QA	<ul style="list-style-type: none"> • 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 the effectiveness in operational risk management comprehensively at the Bank and Subsidiaries. • Build the awareness of Operational Risk Management through e-Learning, Risk Academy module, email blast, and anti fraud awareness video. The purpose is to enhance awareness throughout all of management and employees on the importance of operational risk management. • Implement ORPA (Operational Risk Pre Assessment) to review the risk on new strategic initiatives including the recommendation of risk mitigation. • The campaign of Self Raise Issue to provide a tool for employees to raise an issue that potentially arise the operational risk. • Implement an escalation mechanism for potential/operational risk event. • The implementation of Risk Acceptance to ensure that issues which can not be mitigated, however the process/activity will be carried out and the risk is still borne by the Bank, should be approved by relevant Management. • Improve the Risk Control Self Assessment method by implementing RCSA workshop (top down approach RCSA). • Improve the ability of early detection on the potential fraud by providing the Whistle-blower channel through independent third party.

Corporate Data
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Management Discussion and Analysis
Company Profile
Management Report
Main Highlights

Risks	Activities
Information Technology, Information Security and Business Continuity	<ul style="list-style-type: none"> • Gradually implementation of the Bank's Information Security Policy by prioritizing and focusing according to the agreed implementation strategy • In order to manage risks related to cyber security, initiation of activities assessment has been conducted through the Cyber Threat Modeling mechanism for selected applications that exposed to the internet. This assessment will be continued in 2019 for all applications in critical category. • Conduct cyber risk awareness programs through simulation exercises such as Phishing eMail Exercise, and Cyber Risk Workshop to business units and operational support units. • Develop framework that regulates the response process to cyber incidents, including developing Cyber Incident Response Playbook document, as a simple guideline for employees to identify cyber incidents. • Develop and continue the comprehensive Business Continuity Management (BCM) program implementation to maintain the contingency of the business activities and operational in the event of emergency. The implementation includes critical and non-critical units, by doing a coordination of the preparation of Business Continuity Plan (BCP) documents, supervising the BCP testing, and managing the incident handling that occurred. • Increase the awareness of Business Continuity Management by conducting simulation exercises on the activation of the Alternate Command Center to the Board of Directors and senior management, including members of the Incident Management Team (IMT). • Build the awareness regarding Information Risk Management to all levels of management and employees through various media, for example: LoB Sharing sessions covering the area of BCM and Information Security, Risk Academy, through various available communication media. Including, developing the online training materials (e-Learning), in the aspects of Information Security and Business Continuity (BCM).
Market and Liquidity	<ul style="list-style-type: none"> • Updating the Bank's Market and Liquidity Risks limit structure and policies • Enhancement of Net Stable Funding Ratio (NSFR) calculation aligning with OJK Regulation No.50/POJK.03/2017 to be reported starting Q1 - 2018 • Validation of the market and liquidity risk measurement methodology, including those to support Treasury new products. • Enhancement of ALM System to support alignment of NSFR calculation and reporting. • Preparation for implementation of Interest Rate Risk in Banking Book (IRRBB) in compliance with OJK Circular Letter No.12/SEOJK.03/2018 to be implemented in 2019.

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.

Danamon has the Credit Risk Policy, which is a core policy and main framework in implementing credit risk management. This policy and the credit guidelines in the lines of business, governs the risk management process comprehensively starting from the identification, measurement, monitoring, up to risk control. Credit policy and guidelines are reviewed periodically to fulfill the prevailing regulations as well as being adjusted to Danamon's risk appetite.

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Process	Implementation Activities
Identification	<ul style="list-style-type: none"> Periodically review Line of Business Product Program, 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	<ul style="list-style-type: none"> 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 and other facilities related to credit; Establish credit risk assessment parameters, the trigger score and limits on non-performing loans level, portfolio concentration, and other credit parameters; Conduct stress test on significant changes in the conditions as an estimated potential impact towards portfolios, revenues, as well as Danamon capital conditions.
Monitoring	<ul style="list-style-type: none"> Periodically monitor risks taken in accordance with risk appetite and business performance remain within the desired limits. Monitor product performance and portfolio at the Bank and lines of business level, through a reliable Management Information System; Evaluate the adequacy of risk management implementation, which may provide improvement and adjustment towards risk management strategies.
Control	<ul style="list-style-type: none"> Establish and periodically review the Policies and Guidelines on the implementation of credit risk management that 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, also related and non related parties. Set the risk level and concentration limit on certain industrial sectors; Identify non-performing loans at an early stage so remedial process can be conducted properly and efficient. 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. Line of Business, Subsidiaries and Credit Directorate 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 line 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 provides 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, Quantitative Technique & Analytics team to develop, implement, monitor, and review risk modelling and methodology of quantitative technique. Including to ensure that the bank has its robust risk modeling for prudent portfolio management, for the credit business as follows:

- Corporate
- Commercial
- Mid Market
- 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 develop Probability of Default (PD) model, implementation of “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 credit concentration risk arises when borrowers are engaged in similar business activities, or have business activities in the same geographical area, or have similar characteristics that may affect the ability of the customer 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 debtor that 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 changes that may affect Danamon portfolio individually or integrated with its Subsidiaries within the Financial Conglomeration. Review of loan portfolio are conducted by the business unit level as a risk taking unit and the Risk Management Working Unit level which 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 measurement on past due and impaired loans. This includes claims that have matured in the form of financial assets both in a whole or in part, including interest payments, which overdue more than 90 (ninety) days and impaired claims which are 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 Wholesale (Enterprise Banking & SME) and Retail & Mass Market. In the Wholesale 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 established using Loan Loss Provision (LLP) and Provision for Assets (PPA) methodology for all Danamon lines of business and its Subsidiaries, both conventional credit and sharia financing and complying with the existing conditions and regulations.

The LLP calculation refers to the Indonesian Banking Accounting Standard (PAPI) that is called as loan impairment. The calculation of loan provision is based on the impairment of loan value using the methodology which is developed by Danamon and approved by the Board of Directors.

Calculation of LLP is defined as follows:

- 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.
- Individual LLP is provision for impairment of financial asset which is evaluated individually using discounted cash flow method, where the difference between the fair value of the asset at this time and the fair value of the asset before the impairment is calculated.

For Enterprise Banking (Corporate and Commercial) and SME segment, Danamon applies the migration loss method (calculation 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 calculation use the net- flow- rate method (calculation 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 2018 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	Region				
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	Central Java and Yogyakarta	East Java	
(1)	(2)	(3)	(4)	(5)	(6)	
1	Receivables on Sovereigns	27,648,248	-	-	-	
2	Receivables on Public Sector Entities	1,579,077	124	-	40	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	2,929,394	73,070	69,620	25,183	
5	Loans Secured by Residential Property	4,231,624	254,293	109,916	485,506	
6	Loans Secured by Commercial Real Estate	1,111,798	5,813	31,876	149,298	
7	Employee/Pensioner Loans	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	10,815,015	2,684,051	2,023,113	2,989,992	
9	Receivables on Corporate	47,673,133	3,134,265	3,436,880	5,795,328	
10	Past Due Receivables	1,003,630	129,535	159,770	309,394	
11	Other Assets	3,343,230	243,711	453,687	344,702	
	Total	100,335,149	6,524,862	6,284,862	10,099,443	
(1)	(2)	(13)	(14)	(15)	(16)	
1	Receivables on Sovereigns	24,906,212	17	42	-	
2	Receivables on Public Sector Entities	1,372,103	-	46	51	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	5,582,431	67,896	38,811	35,169	
5	Loans Secured by Residential Property	2,644,851	180,466	85,869	233,383	
6	Loans Secured by Commercial Real Estate	961,258	-	21,285	115,722	
7	Employee/Pensioner Loans	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	9,917,251	2,530,312	2,441,895	3,297,956	
9	Receivables on Corporate	43,874,182	2,985,027	3,199,387	5,579,035	
10	Past Due Receivables	808,162	94,241	175,621	198,123	
11	Other Assets	4,248,066	213,138	357,095	262,479	
	Total	94,314,516	6,071,097	6,320,051	9,721,918	

(Rp million)

Desember 31, 2018						
Net Receivables Based on Region						
	Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	South Sumatra	Total
	(7)	(8)	(9)	(10)	(11)	(12)
	-	306	197	-	-	27,648,751
	-	196	93	171	-	1,579,701
	-	-	-	-	-	-
	107,612	71,793	2	16	28	3,276,718
	122,113	58,911	16,814	82,307	1,828	5,363,312
	32,998	10,527	21,416	76,267	24,683	1,464,676
	-	-	-	-	-	-
	371,945	4,025,597	2,444,059	5,807,471	566,703	31,727,946
	1,531,204	2,697,799	2,886,738	4,761,630	1,918,404	73,835,381
	110,581	213,900	147,517	155,704	100,005	2,330,036
	244,052	575,222	363,023	451,070	283,605	6,302,302
	2,520,505	7,654,251	5,879,859	11,334,636	2,895,256	153,528,823
Desember 31, 2017						
	(17)	(18)	(19)	(20)	(21)	(22)
	-	245	-	-	-	24,906,516
	-	121	293	104	-	1,372,718
	-	-	-	-	-	-
	159,113	60,633	3	3,083	40	5,947,179
	85,799	29,676	22,002	67,540	4,396	3,353,982
	28,069	12,279	22,074	75,450	9,549	1,245,686
	-	-	-	-	-	-
	527,167	4,125,227	2,430,753	5,271,468	1,276,042	31,818,071
	1,382,948	2,708,738	2,815,693	4,778,381	1,662,376	68,985,767
	75,557	198,290	177,875	181,161	126,239	2,035,269
	208,755	489,063	332,075	374,354	270,909	6,755,934
	2,467,408	7,624,272	5,800,768	10,751,541	3,349,551	146,421,122

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	Region				
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	Central Java and Yogyakarta	East Java	
(1)	(2)	(3)	(4)	(5)	(6)	
1	Receivables on Sovereigns	27,648,252	325	-	21	
2	Receivables on Public Sector Entities	1,579,154	213	-	44	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	3,719,079	73,070	69,620	25,183	
5	Loans Secured by Residential Property	4,234,625	254,758	109,916	485,506	
6	Loans Secured by Commercial Real Estate	1,111,798	5,813	31,876	149,298	
7	Employee/Pensioner Loans	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	18,752,967	5,581,934	4,861,178	7,407,769	
9	Receivables on Corporate	47,751,031	3,134,265	3,437,093	5,796,948	
10	Past Due Receivables	1,103,552	180,214	198,690	362,956	
11	Other Assets	4,193,955	296,949	490,575	411,429	
	Total	110,094,413	9,527,541	9,198,948	14,639,154	

No	Portfolio Category	Region				
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	Central Java and Yogyakarta	East Java	
(1)	(2)	(13)	(14)	(15)	(16)	
1	Receivables on Sovereigns	24,906,212	440	44	-	
2	Receivables on Public Sector Entities	1,372,251	134	52	73	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	
4	Receivables on Banks	5,990,532	67,896	46,246	47,269	
5	Loans Secured by Residential Property	2,646,535	180,779	85,869	233,383	
6	Loans Secured by Commercial Real Estate	961,258	-	21,285	115,722	
7	Employee/Pensioner Loans	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	16,500,337	5,362,644	5,179,312	7,393,759	
9	Receivables on Corporate	43,231,256	2,985,027	3,200,573	5,581,198	
10	Past Due Receivables	918,256	153,506	210,424	262,164	
11	Other Assets	4,684,885	271,399	402,437	341,678	
	Total	101,211,522	9,021,825	9,146,242	13,975,246	

(Rp million)

Desember 31, 2018

Net Receivables Based on Region

	Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	South Sumatra	Total
	(7)	(8)	(9)	(10)	(11)	(12)
	-	492	223	-	-	27,649,313
	-	292	103	189	-	1,579,995
	-	-	-	-	-	-
	107,612	71,793	2	16	28	4,066,403
	122,113	58,911	16,814	82,307	1,828	5,366,778
	32,998	10,527	21,416	76,267	24,683	1,464,676
	-	-	-	-	-	-
	371,945	7,682,319	4,449,100	10,592,875	566,703	60,266,790
	1,531,204	2,697,799	2,886,738	4,774,366	1,918,404	73,927,848
	110,581	294,997	169,680	229,585	100,005	2,750,260
	244,052	703,954	408,200	554,036	283,605	7,586,755
	2,520,505	11,521,084	7,952,276	16,309,641	2,895,256	184,658,818

Desember 31, 2017

	(17)	(18)	(19)	(20)	(21)	(22)
	-	483	-	-	-	24,907,179
	-	379	328	117	-	1,373,334
	-	-	-	-	-	-
	159,113	87,600	21,593	15,326	40	6,435,615
	85,799	29,676	22,002	67,540	4,396	3,355,979
	28,069	12,279	22,074	75,450	9,549	1,245,686
	-	-	-	-	-	-
	527,167	7,816,482	4,297,892	9,951,457	1,276,042	58,305,092
	1,382,948	2,708,738	2,815,693	4,778,381	1,662,376	68,346,190
	75,557	252,265	205,830	243,900	126,239	2,448,141
	208,755	560,840	379,412	474,584	270,909	7,594,899
	2,467,408	11,468,742	7,764,824	15,606,755	3,349,551	174,012,115

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		
		≤ 1 year	>1-3 Years
(1)	(2)	(3)	(4)
1	Receivables on Sovereigns	15,768,810	4,326,841
2	Receivables on Public Sector Entities	919,396	659,888
3	Receivables on Multilateral Development Banks and International Institutions	-	-
4	Receivables on Banks	2,441,741	477,652
5	Loans Secured by Residential Property	11,515	186,965
6	Loans Secured by Commercial Real Estate	1,038,529	59,506
7	Employee/Pensioner Loans	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	5,970,284	15,555,051
9	Receivables on Corporate	55,620,907	7,074,611
10	Past Due Receivables	313,761	443,868
11	Other Assets	-	-
	Total	82,084,943	28,784,382

No.	Portfolio Category		
		(9)	(10)
(1)	(2)	(9)	(10)
1	Receivables on Sovereigns	12,409,899	4,787,829
2	Receivables on Public Sector Entities	1,093,120	272,207
3	Receivables on Multilateral Development Banks and International Institutions	-	-
4	Receivables on Banks	4,310,154	1,213,732
5	Loans Secured by Residential Property	15,441	149,399
6	Loans Secured by Commercial Real Estate	781,044	47,005
7	Employee/Pensioner Loans	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	6,537,976	15,254,604
9	Receivables on Corporate	50,048,346	6,948,716
10	Past Due Receivables	248,188	561,965
11	Other Assets	397,839	15,510
	Total	75,842,007	29,250,967

(Rp million)

Desember 31, 2018

Net Receivables by Remaining Contractual Maturity

	>3-5 Years	>5 Years	Non Contractual	Total
	(5)	(6)	(7)	(8)
	911,980	119,623	6,521,497	27,648,751
	417	-	-	1,579,701
	-	-	-	-
	229,678	124,380	3,267	3,276,718
	592,215	4,572,613	4	5,363,312
	297,337	69,304	-	1,464,676
	-	-	-	-
	9,087,775	1,086,757	28,079	31,727,946
	5,953,651	5,048,957	137,255	73,835,381
	337,661	275,866	958,880	2,330,036
	-	-	6,302,302	6,302,302
	17,410,714	11,297,500	13,951,284	153,528,823
Desember 31, 2017				
	(11)	(12)	(13)	(14)
	361,602	546	7,346,640	24,906,516
	7,276	115	-	1,372,718
	-	-	-	-
	234,625	181,003	7,665	5,947,179
	473,517	2,715,623	2	3,353,982
	206,086	211,551	-	1,245,686
	-	-	-	-
	8,641,549	1,349,434	34,508	31,818,071
	6,436,481	5,486,512	65,712	68,985,767
	238,498	136,662	849,956	2,035,269
	-	4,628	6,337,957	6,755,934
	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			
		≤ 1 year	>1-3 Years	
(1)	(2)	(3)	(4)	
1	Receivables on Sovereigns	15,768,811	4,327,019	
2	Receivables on Public Sector Entities	919,435	660,100	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	
4	Receivables on Banks	3,104,230	604,848	
5	Loans Secured by Residential Property	11,515	187,480	
6	Loans Secured by Commercial Real Estate	1,038,529	59,506	
7	Employee/Pensioner Loans	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	7,269,892	32,722,079	
9	Receivables on Corporate	55,564,266	7,142,276	
10	Past Due Receivables	363,731	737,915	
11	Other Assets	316,659	7,375	
	Total	84,357,068	46,448,598	
(1)	(2)	(9)	(10)	
1	Receivables on Sovereigns	12,409,914	4,787,859	
2	Receivables on Public Sector Entities	1,093,189	272,714	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	
4	Receivables on Banks	4,776,638	1,235,684	
5	Loans Secured by Residential Property	15,441	149,587	
6	Loans Secured by Commercial Real Estate	781,044	47,005	
7	Employee/Pensioner Loans	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	11,111,229	32,625,366	
9	Receivables on Corporate	49,259,392	7,060,336	
10	Past Due Receivables	344,571	832,862	
11	Other Assets	708,747	28,218	
	Total	80,500,165	47,039,631	

(Rp million)

Desember 31, 2017				
Net Receivables by Remaining Contractual Maturity				
	>3-5 Years	>5 Years	Non Contractual	Total
	(5)	(6)	(7)	(8)
	912,363	119,623	6,521,497	27,649,313
	460	-	-	1,579,995
	-	-	-	-
	229,678	124,380	3,267	4,066,403
	594,946	4,572,833	4	5,366,778
	297,337	69,304	-	1,464,676
	-	-	-	-
	18,195,145	2,051,595	28,079	60,266,790
	6,035,094	5,048,957	137,255	73,927,848
	411,551	278,183	958,880	2,750,260
	374,947	-	6,887,774	7,586,755
	27,051,521	12,264,875	14,536,756	184,658,818
Desember 31, 2017				
	(11)	(12)	(13)	(14)
	362,220	546	7,346,640	24,907,179
	7,316	115	-	1,373,334
	-	-	-	-
	234,625	181,003	7,665	6,435,615
	475,326	2,715,623	2	3,355,979
	206,086	211,551	-	1,245,686
	-	-	-	-
	13,164,999	1,368,990	34,508	58,305,092
	6,474,238	5,486,512	65,712	68,346,190
	284,090	136,662	849,956	2,448,141
	31,633	4,628	6,821,673	7,594,899
	21,240,533	10,105,630	15,126,156	174,012,115

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, 2018						
1	Agriculture, Hunting and Forestry	-	-	-	-	
2	Fishery	-	-	-	-	
3	Mining and Quarrying	-	432,337	-	-	
4	Manufacturing	-	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	
6	Construction	-	170,473	-	-	
7	Wholesale and Retail Trading	-	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	
9	Transportation, Warehousing and Communications	-	-	-	-	
10	Financial Intermediary	-	-	-	955,004	
11	Real Estate, Rental and Business Services	-	-	-	-	
12	Public Administration, Defense and Compulsory Social Security	503	624	-	-	
13	Education Services	-	-	-	-	
14	Human Health and Social Work Activities	-	-	-	-	
15	Public, Socio-Culture, Entertainment and Other Personal Services	290,648	-	-	-	
16	Activities of Households as Employers	-	-	-	-	
17	International Institution and Other Extra International Agencies	-	-	-	-	
18	Undefined Activities	-	-	-	-	
19	Non Business Field	142	88	-	-	
20	Others	27,357,458	976,179	-	2,321,714	
	Total	27,648,751	1,579,701	-	3,276,718	

* Economic sector refers to economic sector used in the commercial Bank Monthly Report (Laporan 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)
	-	-	-	1,220,090	2,247,052	14,212	-
	-	-	-	98,756	26,205	1,773	-
	-	-	-	137,048	1,425,934	3,443	-
	-	-	-	1,063,275	17,672,857	400,497	-
	-	-	-	59,500	31,262	260	-
	-	929,202	-	273,547	1,337,647	65,413	-
	-	-	-	6,669,420	28,225,802	1,168,758	-
	-	-	-	317,269	1,049,738	22,776	-
	-	-	-	1,147,213	2,822,979	228,682	-
	-	-	-	56,302	4,038,468	-	-
	-	535,474	-	882,141	1,602,446	32,250	-
	-	-	-	404	-	-	-
	-	-	-	12,193	14,551	161	-
	-	-	-	36,158	217,830	2,596	-
	-	-	-	235,783	451,939	16,632	-
	-	-	-	2,170	-	15	-
	-	-	-	268	-	58	-
	-	-	-	30,487	45,103	147	-
	5,363,140	-	-	18,368,104	1,426,611	372,363	-
	172	-	-	1,117,818	11,198,957	-	6,302,302
	5,363,312	1,464,676	-	31,727,946	73,835,381	2,330,036	6,302,302

No.	Economic Sectors *	Receivables on Sovereigns	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks	
(1)	(2)	(14)	(15)	(16)	(17)	
Desember 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	

* Economic sector refers to economic sector used in the commercial Bank Monthly Report (Laporan 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
	(18)	(19)	(20)	(21)	(22)	(23)	(24)
	-	-	-	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

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)	
Desember 31, 2018						
1	Agriculture, Hunting and Forestry	-	-	-	-	
2	Fishery	-	-	-	-	
3	Mining and Quarrying	-	432,337	-	-	
4	Manufacturing	-	-	-	-	
5	Electricity, Gas and Water	-	-	-	-	
6	Construction	-	170,473	-	-	
7	Wholesale and Retail Trading	-	-	-	-	
8	Hotel and Food & Beverage	-	-	-	-	
9	Transportation, Warehousing and Communications	-	-	-	-	
10	Financial Intermediary	-	-	-	1,744,689	
11	Real Estate, Rental and Business Services	-	-	-	-	
12	Public Administration, Defense and Compulsory Social Security	1,052	844	-	-	
13	Education Services	-	-	-	-	
14	Human Health and Social Work Activities	-	-	-	-	
15	Public, Socio-Culture, Entertainment and Other Personal Services	290,648	-	-	-	
16	Activities of Households as Employers	-	-	-	-	
17	International Institution and Other Extra International Agencies	-	-	-	-	
18	Undefined Activities	-	-	-	-	
19	Non Business Field	155	162	-	-	
20	Others	27,357,458	976,179	-	2,321,714	
	Total	27,649,313	1,579,995	-	4,066,403	

* Economic sector refers to economic sector used in the commercial Bank Monthly Report (Laporan 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)
	-	-	-	1,496,804	2,265,854	17,117	-
	-	-	-	122,955	26,205	2,256	-
	-	-	-	188,484	1,438,409	3,836	-
	-	-	-	1,235,158	17,672,857	402,858	-
	-	-	-	79,701	31,262	328	-
	-	929,202	-	421,683	1,352,207	66,304	-
	-	-	-	7,852,235	28,225,802	1,184,345	-
	-	-	-	357,733	1,049,738	23,455	-
	-	-	-	1,662,478	2,897,560	231,972	-
	-	-	-	62,028	3,976,269	-	-
	-	535,474	-	1,095,967	1,602,624	34,377	-
	-	-	-	541	-	-	-
	-	-	-	15,502	14,551	161	-
	-	-	-	39,144	217,830	2,602	-
	-	-	-	255,834	451,939	17,040	-
	-	-	-	3,027	-	15	-
	-	-	-	268	-	58	-
	-	-	-	125,034	75,990	2,419	-
	5,366,606	-	-	44,134,396	1,429,794	761,117	-
	172	-	-	1,117,818	11,198,957	-	7,586,755
	5,366,778	1,464,676	-	60,266,790	73,927,848	2,750,260	7,586,755

No.	Economic Sectors *	Receivables on Sovereigns	Receivables on Public Sector Entities	Receivables on Multilateral Development Banks and International Institutions	Receivables on Banks	
(1)	(2)	(14)	(15)	(16)	(17)	
Desember 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	

* Economic sector refers to economic sector used in the commercial Bank Monthly Report (Laporan 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
	(18)	(19)	(20)	(21)	(22)	(23)	(24)
	-	-	-	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

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

No	Portfolio Category					
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	Central Java and Yogyakarta	East Java	
(1)	(2)	(3)	(4)	(5)	(6)	
1	Receivables	108,912,654	6,572,289	6,331,694	10,178,452	
2	Impaired Receivables					
	a. Non Past Due	1,765,495	64,265	93,123	351,790	
	b. Past Due	876,878	170,313	155,652	224,704	
3	Allowance for Impairment Losses-Individual	786,792	17,072	3,314	47,995	
4	Allowance for Impairment Losses-Collective	827,415	147,796	148,885	201,420	
5	Written-Off Receivables	1,214,708	201,057	195,575	310,142	

No	Portfolio Category					
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	Central Java and Yogyakarta	East Java	
(1)	(2)	(13)	(14)	(15)	(16)	
1	Receivables	103,862,196	6,108,684	6,370,604	9,770,097	
2	Impaired Receivables					
	a. Non Past Due	1,755,533	88,945	96,436	230,986	
	b. Past Due	893,046	92,007	104,435	126,820	
3	Allowance for Impairment Losses-Individual	868,524	1,982	976	14,397	
4	Allowance for Impairment Losses-Collective	741,923	139,940	173,407	224,770	
5	Written-Off Receivables	1,229,251	237,173	239,147	352,145	

(Rp million)

Desember 31, 2018						
Net Receivables Based on Region						
	Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	South Sumatra	Total
	(7)	(8)	(9)	(10)	(11)	(12)
	2,550,289	7,736,603	5,930,261	11,401,938	2,938,943	162,553,123
	69,282	101,130	241,705	122,648	85,688	2,895,126
	49,578	261,558	105,745	187,961	112,392	2,144,781
	9,302	12,578	20,938	25,365	-	923,356
	44,902	217,096	127,699	250,746	74,714	2,040,673
	53,088	262,322	132,563	293,310	152,840	2,815,605

(Rp million)

Desember 31, 2017						
Net Receivables Based on Region						
	Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	South Sumatra	Total
	(17)	(18)	(19)	(20)	(21)	(22)
	2,477,759	7,723,114	5,860,066	10,827,748	3,410,294	156,410,562
	43,690	115,421	157,855	129,172	124,168	2,742,206
	21,514	215,440	103,514	167,804	121,790	1,846,370
	92	623	18,645	20,365	-	925,604
	47,862	226,382	143,566	243,460	101,565	2,042,875
	35,715	354,111	212,525	270,973	257,605	3,188,645

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

No	Portfolio Category	Region-Consolidated				
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	Central Java and Yogyakarta	East Java	
(1)	(2)	(3)	(4)	(5)	(6)	
1	Receivables	112,123,220	9,599,781	9,264,490	14,741,818	
2	Impaired Receivables					
	a. Non Past Due	1,827,178	92,663	108,919	362,252	
	b. Past Due	1,008,957	257,037	213,197	305,972	
3	Allowance for Impairment Losses-Individual	786,792	17,072	3,314	47,995	
4	Allowance for Impairment Losses-Collective	1,225,894	298,741	307,176	422,876	
5	Written-Off Receivables	1,629,465	427,091	347,936	546,195	

No	Portfolio Category	Region-Consolidated				
		Jakarta, Bogor, Tangerang, Karawang, Bekasi, and Lampung	West Java	Central Java and Yogyakarta	East Java	
(1)	(2)	(13)	(14)	(15)	(16)	
1	Receivables	105,570,880	9,092,757	9,212,262	14,051,054	
2	Impaired Receivables					
	a. Non Past Due	1,768,383	98,077	104,551	232,029	
	b. Past Due	1,013,684	192,392	157,842	214,236	
3	Allowance for Impairment Losses-Individual	868,524	1,982	977	14,397	
4	Allowance for Impairment Losses-Collective	1,081,054	294,734	326,565	445,009	
5	Written-Off Receivables	1,229,251	237,173	239,147	352,145	

(Rp million)

Desember 31, 2018						
Net Receivables Based on Region						
	Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	South Sumatra	Total
	(7)	(8)	(9)	(10)	(11)	(12)
	2,550,289	11,644,454	8,013,258	16,416,347	2,938,943	187,292,600
	69,282	173,639	261,986	213,357	85,688	3,194,964
	49,578	367,995	152,262	353,395	112,392	2,820,785
	9,302	12,578	20,938	25,365	-	923,356
	44,902	393,393	229,965	486,747	74,714	3,484,408
	53,088	464,019	246,042	616,950	152,840	4,483,626

(Rp million)

Desember 31, 2017						
Net Receivables Based on Region						
	Bali, NTT, and NTB	Sulawesi, Maluku, and Papua	Kalimantan	North Sumatra	South Sumatra	Total
	(17)	(18)	(19)	(20)	(21)	(22)
	2,477,759	11,593,308	7,838,242	15,708,077	3,410,294	178,954,633
	43,690	119,015	179,504	147,631	124,169	2,817,049
	21,514	292,910	177,388	283,737	121,791	2,475,494
	92	623	18,644	20,365	-	925,604
	47,862	383,386	241,270	469,285	101,565	3,390,730
	35,714	354,111	212,525	270,973	257,606	3,188,645

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

Desember 31, 2018

No	Economic Sectors	Receivables	
(1)	(2)	(3)	
1	Agriculture, Hunting and Forestry	3,542,584	
2	Fishery	128,115	
3	Mining and Quarrying	2,293,435	
4	Manufacturing	19,313,885	
5	Electricity, Gas and Water	91,158	
6	Construction	2,796,779	
7	Wholesale and Retail Trading	36,433,524	
8	Hotel and Food & Beverage	1,406,819	
9	Transportation, Warehousing and Communications	4,422,156	
10	Financial Intermediary	7,262,642	
11	Real Estate, Rental and Business Services	3,064,488	
12	Public Administration, Defense and Compulsory Social Security	1,530	
13	Education Services	27,042	
14	Human Health and Social Work Activities	259,840	
15	Public, Socio-Culture, Entertainment and Other Personal Services	810,456	
16	Activities of Households as Employers	2,216	
17	International Institution and Other Extra International Agencies	342	
18	Undefined Activities	30,750	
19	Non Business Field	25,682,573	
20	Others	54,982,789	
	Total	162,553,123	

(Rp million)

	Impaired Receivables		Allowance for Impairment Losses-Individual	Allowance for Impairment Losses-Collective	Written Off Receivables
	Non Past Due	Past Due			
	(4)	(5)	(6)	(7)	(8)
	127,983	28,033	50,553	58,744	63,501
	1,173	3,068	-	4,035	5,501
	504,008	1,209	294,088	17,167	4,766
	273,949	347,309	126,584	210,564	548,721
	1	395	-	1,845	1,498
	83,161	42,353	15,136	32,097	8,513
	1,039,830	486,331	220,296	704,292	1,008,357
	71,643	30,539	404	32,801	46,166
	513,866	336,063	211,916	59,895	187,069
	111,198	42	-	41,067	28,851
	108,451	24,929	4,379	49,759	37,903
	-	-	-	36	227
	602	265	-	473	268
	1,411	5,738	-	5,770	4,603
	13,022	25,886	-	25,470	47,796
	-	46	-	83	116
	269	70	-	16	-
	-	-	-	803	-
	43,683	484,615	-	753,116	821,749
	876	327,890	-	42,640	-
	2,895,126	2,144,781	923,356	2,040,673	2,815,605

Desember 31, 2017

No	Economic Sectors	Receivables	
(1)	(2)	(3)	
1	Agriculture, Hunting and Forestry	3,208,149	
2	Fishery	114,073	
3	Mining and Quarrying	1,008,195	
4	Manufacturing	18,275,035	
5	Electricity, Gas and Water	80,902	
6	Construction	2,036,425	
7	Wholesale and Retail Trading	36,272,846	
8	Hotel and Food & Beverage	1,773,214	
9	Transportation, Warehousing and Communications	4,667,287	
10	Financial Intermediary	10,965,488	
11	Real Estate, Rental and Business Services	2,558,428	
12	Public Administration, Defense and Compulsory Social Security	902	
13	Education Services	30,245	
14	Human Health and Social Work Activities	132,055	
15	Public, Socio-Culture, Entertainment and Other Personal Services	868,723	
16	Activities of Households as Employers	2,286	
17	International Institution and Other Extra International Agencies	582	
18	Undefined Activities	37,343	
19	Non Business Field	21,495,416	
20	Others	52,882,968	
	Total	156,410,562	

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	Impaired Receivables		Allowance for Impairment Losses-Individual	Allowance for Impairment Losses-Collective	Written Off Receivables
	Non Past Due	Past Due			
	(4)	(5)	(6)	(7)	(8)
	62,167	34,829	1,620	55,905	88,343
	2,233	4,280	-	4,428	4,494
	506,444	4,016	358,541	3,999	422,593
	82,520	392,422	110,276	216,745	244,896
	748	557	-	1,525	-
	13,789	4,578	771	24,363	11,511
	778,573	612,575	200,539	787,756	1,136,051
	86,352	41,804	1,317	43,207	68,352
	919,916	181,177	232,374	58,559	89,837
	70,730	6,018	-	55,366	17,653
	127,844	36,820	19,969	49,231	44,519
	-	-	-	22	-
	938	489	-	528	695
	3,805	6,007	-	4,643	8,028
	28,025	50,710	-	38,439	64,828
	52	237	-	182	51
	412	165	-	169	212
	-	-	-	941	26
	57,658	391,942	-	651,953	981,362
	-	77,744	197	44,914	5,194
	2,742,206	1,846,370	925,604	2,042,875	3,188,645

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

December 31 2018

No	Economic Sectors	Receivables	
(1)	(2)	(3)	
1	Agriculture, Hunting and Forestry	3,842,427	
2	Fishery	153,036	
3	Mining and Quarrying	2,357,919	
4	Manufacturing	19,489,377	
5	Electricity, Gas and Water	111,457	
6	Construction	2,960,600	
7	Wholesale and Retail Trading	37,639,153	
8	Hotel and Food & Beverage	1,448,247	
9	Transportation, Warehousing and Communications	5,017,308	
10	Financial Intermediary	7,702,024	
11	Real Estate, Rental and Business Services	3,281,301	
12	Public Administration, Defense and Compulsory Social Security	2,435	
13	Education Services	30,355	
14	Human Health and Social Work Activities	262,840	
15	Public, Socio-Culture, Entertainment and Other Personal Services	831,434	
16	Activities of Households as Employers	3,073	
17	International Institution and Other Extra International Agencies	342	
18	Undefined Activities	159,056	
19	Non Business Field	52,026,868	
20	Others	49,973,348	
	Total	187,292,600	

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	Impaired Receivables		Allowance for Impairment Losses-Individual	Allowance for Impairment Losses-Collective	Written Off Receivables
	Non Past Due	Past Due			
	(4)	(5)	(6)	(7)	(8)
	139,160	36,147	50,553	67,270	73,692
	1,952	3,750	-	4,888	6,603
	504,991	2,608	294,088	18,874	6,694
	280,059	353,533	126,584	216,268	557,508
	625	489	-	2,459	2,228
	85,215	45,310	15,136	36,247	11,704
	1,076,477	535,324	220,296	741,198	1,077,278
	73,110	32,060	404	34,228	48,889
	531,792	348,740	211,916	75,788	199,412
	111,198	189	-	41,253	28,989
	111,324	28,510	4,379	55,989	45,575
	1,040	-	-	59	246
	643	265	-	559	298
	1,507	5,738	-	5,854	4,615
	13,519	27,132	-	26,510	49,298
	-	46	-	106	126
	269	70	-	16	-
	806	3,277	-	4,423	3,148
	260,401	1,069,707	-	2,109,780	2,367,323
	876	327,890	-	42,640	-
	3,194,964	2,820,785	923,356	3,484,409	4,483,626

December 31 2017

No	Economic Sectors	Receivables	
(1)	(2)	(3)	
1	Agriculture, Hunting and Forestry	3,480,397	
2	Fishery	141,066	
3	Mining and Quarrying	1,062,076	
4	Manufacturing	18,485,885	
5	Electricity, Gas and Water	101,513	
6	Construction	2,139,989	
7	Wholesale and Retail Trading	37,872,832	
8	Hotel and Food & Beverage	1,822,537	
9	Transportation, Warehousing and Communications	5,123,389	
10	Financial Intermediary	11,328,919	
11	Real Estate, Rental and Business Services	2,747,802	
12	Public Administration, Defense and Compulsory Social Security	2,176	
13	Education Services	34,183	
14	Human Health and Social Work Activities	134,680	
15	Public, Socio-Culture, Entertainment and Other Personal Services	907,113	
16	Activities of Households as Employers	3,410	
17	International Institution and Other Extra International Agencies	582	
18	Undefined Activities	247,821	
19	Non Business Field	45,483,226	
20	Others	47,835,037	
	Total	178,954,633	

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	Impaired Receivables		Allowance for Impairment Losses-Individual	Allowance for Impairment Losses-Collective	Written Off Receivables
	Non Past Due	Past Due			
	(4)	(5)	(6)	(7)	(8)
	65,790	42,288	1,620	63,949	88,343
	2,486	4,711	-	5,250	4,494
	507,774	5,611	358,541	5,583	422,593
	85,200	400,171	110,276	223,660	244,896
	748	844	-	2,126	-
	14,442	7,186	771	27,307	11,511
	797,770	680,626	200,539	840,643	1,136,051
	87,430	43,615	1,317	44,830	68,352
	928,467	200,920	232,374	71,636	89,837
	70,730	6,298	-	55,599	17,653
	129,377	42,455	19,969	55,560	44,519
	-	-	-	60	-
	938	489	-	638	695
	3,805	6,019	-	4,728	8,028
	28,576	52,776	-	39,705	64,828
	52	255	-	230	51
	412	165	-	169	212
	7,478	6,533	-	7,563	26
	85,574	896,788	-	1,896,580	981,362
	-	77,744	197	44,914	5,194
	2,817,049	2,475,494	925,604	3,390,730	3,188,645

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

(Rp million)

	Description	December 31, 2018		December 31, 2017	
		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	925,604	2,042,875	907,946	2,460,128
2	Additional/reversal allowance for impairment losses during the year (net)	1,380,439	1,476,965	1,118,659	1,710,478
3	Allowance for impairment losses used to cover written off receivables during the year	(1,155,459)	(1,660,146)	(1,066,616)	(2,122,029)
4	Other additional (reversal) allowance during the year	(227,228)	180,979	(34,385)	(5,702)
Ending Balance of Allowance for Impairment Losses		923,356	2,040,673	925,604	2,042,875

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

(Rp million)

	Description	December 31, 2018		December 31, 2017	
		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	925,604	3,390,730	907,946	3,701,282
2	Additional/reversal allowance for impairment losses during the year (net)	1,380,439	3,240,866	1,118,659	3,366,405
3	Allowance for impairment losses used to cover written off receivables during the year	(1,155,459)	(3,328,167)	(1,066,616)	(3,671,255)
4	Other additional (reversal) allowance during the year	(227,228)	180,979	(34,385)	(5,702)
Ending Balance of Allowance for Impairment Losses		923,356	3,484,408	925,604	3,390,730

6) Credit Risk Assessment using Standardized Approach

In calculating the Risk Weighted Assets (RWA) for credit risk, Danamon applies the Standardized Approach, which refer to OJK regulation i.e. the OJK Circular Letter No. 42/SEOJK.03/2016 regarding Calculation Guideline of Credit Risk Weighted Asset based on Standardized Approach.

7) 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 in 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 both the Trading Book and Banking Book position.

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

Portfolio Category		Company Rating	December 31, 2018					
			Long Term Rating					
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	
		Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) to AA-(idn)	A+(idn) to A-(idn)	BBB+(idn) to BBB-(idn)	BB+(idn) to BB-(idn)	
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ to idAA-	idA+ to id A-	id BBB+ to id BBB-	id BB+ to id BB-	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1	Receivables on Sovereigns		308,130	-	-	11,889,713	-	
2	Receivables on Public Sector Entities		184,383	30,914	-	17,120	-	
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-	-	
4	Receivables on Banks		553,624	92,478	-	-	-	
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		1,303,267	825,933	44,793	-	-	
10	Past Due Receivables							
11	Other Assets							
	Total		2,349,404	949,325	44,793	11,906,833	-	

(Rp million)

December 31, 2018								
		Short Term Rating					Unrated	Total
	B+ to B-	Less than B-	A-1	A-2	A-3	Less than A-3		
	B+ to B-	Less than B-	F1+ to F1	F2	F3	Less than F3		
	B1 to B3	Less than B3	P-1	P-2	P-3	Less than P-3		
	B+(idn) to B-(idn)	Less than B-(idn)	F1+(idn) to F1(idn)	F2(idn)	F3(idn)	Less than F3(idn)		
	id B+ to id B-	Less than idB-	idA1	idA2	idA3 to id A4	Less than idA4		
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	-	-	-	-	-	-	15,450,908	27,648,751
	-	-	-	-	-	-	1,347,284	1,579,701
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	2,630,616	3,276,718
							5,363,312	5,363,312
							1,464,676	1,464,676
							-	-
							31,727,946	31,727,946
	-	-	-	-	-	-	71,661,388	73,835,381
							2,330,036	2,330,036
							6,302,302	6,302,302
	-	-	-	-	-	-	138,278,468	153,528,823

Portfolio Category		Company Rating	December 31, 2017					
			Long Term Rating					
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	
		Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) to AA-(idn)	A+(idn) to A-(idn)	BBB+(idn) to BBB-(idn)	BB+(idn) to BB-(idn)	
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ to idAA-	idA+ to id A-	id BBB+ to id BBB-	id BB+ to id BB-	
(1)	(2)	(17)	(18)	(19)	(20)	(21)	(22)	
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	-	

(Rp million)

December 31, 2017								
		Short Term Rating					Unrated	Total
B+ to B-	Less than B-	A-1	A-2	A-3	Less than A-3			
B+ to B-	Less than B-	F1+ to F1	F2	F3	Less than F3			
B1 to B3	Less than B3	P-1	P-2	P-3	Less than P-3			
B+(idn) to B-(idn)	Less than B-(idn)	F1+(idn) to F1(idn)	F2(idn)	F3(idn)	Less than F3(idn)			
id B+ to id B-	Less than idB-	idA1	idA2	idA3 to id A4	Less than idA4			
(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	
-	-	-	-	-	-	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	

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

Portfolio Category		Company Rating	December 31, 2018				
			Long Term Rating				
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-
		Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) to AA-(idn)	A+(idn) to A-(idn)	BBB+(idn) to BBB-(idn)	BB+(idn) to BB-(idn)
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ to idAA-	idA+ to id A-	id BBB+ to id BBB-	id BB+ to id BB-
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Receivables on Sovereigns		308,130	-	-	11,889,714	-
2	Receivables on Public Sector Entities		184,383	30,914	-	17,120	-
3	Receivables on Multilateral Development Banks and International Institutions		-	-	-	-	-
4	Receivables on Banks		553,624	92,478	-	-	-
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		1,303,267	825,933	44,793	-	-
10	Past Due Receivables						
11	Other Assets						
Total			2,349,404	949,325	44,793	11,906,834	-

(Rp million)

December 31, 2018								
			Short Term Rating				Unrated	Total
B+ to B-	Less than B-	A-1	A-2	A-3	Less than A-3			
B+ to B-	Less than B-	F1+ to F1	F2	F3	Less than F3			
B1 to B3	Less than B3	P-1	P-2	P-3	Less than P-3			
B+(idn) to B-(idn)	Less than B-(idn)	F1+(idn) to F1(idn)	F2(idn)	F3(idn)	Less than F3(idn)			
id B+ to id B-	Less than idB-	idA1	idA2	idA3 to id A4	Less than idA4			
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
-	-	-	-	-	-	15,451,469	27,649,313	
-	-	-	-	-	-	1,347,578	1,579,995	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	3,420,301	4,066,403	
						5,366,778	5,366,778	
						1,464,676	1,464,676	
						-	-	
						60,266,790	60,266,790	
-	-	-	-	-	-	71,753,855	73,927,848	
						2,750,260	2,750,260	
						7,586,755	7,586,755	
-	-	-	-	-	-	169,408,462	184,658,818	

Portfolio Category		Company Rating	December 31, 2017					
			Long Term Rating					
		Standard and Poor's	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	
		Fitch Rating	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	
		Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	
		PT. Fitch Ratings Indonesia	AAA (idn)	AA+(idn) to AA-(idn)	A+(idn) to A-(idn)	BBB+(idn) to BBB-(idn)	BB+(idn) to BB-(idn)	
		PT Pemeringkat Efek Indonesia	idAAA	idAA+ to idAA-	idA+ to id A-	id BBB+ to id BBB-	id BB+ to id BB-	
(1)	(2)	(17)	(18)	(19)	(20)	(21)	(22)	
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	-	

(Rp juta)

December 31, 2017								
		Short Term Rating					Unrated	Total
	B+ to B-	Less than B-	A-1	A-2	A-3	Less than A-3		
	B+ to B-	Less than B-	F1+ to F1	F2	F3	Less than F3		
	B1 to B3	Less than B3	P-1	P-2	P-3	Less than P-3		
	B+(idn) to B-(idn)	Less than B-(idn)	F1+(idn) to F1(idn)	F2(idn)	F3(idn)	Less than F3(idn)		
	id B+ to id B-	Less than idB-	idA1	idA2	idA3 to id A4	Less than idA4		
	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
	-	-	-	-	-	-	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

7) 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 in 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 both the Trading Book and Banking Book position.

For both Repo and Reverse Repo transactions, Danamon refers to OJK Circular Letter No. 42/SEOJK.03/2016 regarding Guidelines on Risk Weighted Assets calculation for Credit Risk using 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 of securities is the carrying value of securities after deducted by LLP of securities. While for Reverse Repo Transactions, Danamon records the value of reverse repo receivables after deducted by LLP of 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, 2018							
		Notional Amount			Derivative Receivables	Derivative Payables	Net Receivables before CRM	CRM	Net Receivables after CRM
≤1 year	>1 years ≤5 years	>5 years							
BANK STAND ALONE									
1	Interest Rate	-	-	-	-	-	-	-	-
2	Exchange Rate	161,391	59,045	-	195,535	228,215	582,360	-	582,360
3	Others	-	-	-	-	-	-	-	-
Total		161,391	59,045	-	195,535	228,215	582,360	-	582,360
CONSOLIDATED									
1	Interest Rate	-	-	-	-	-	-	-	-
2	Exchange Rate	252,400	149,899	-	449,092	466,185	1,191,949	-	1,191,949
3	Shares	-	-	-	-	-	-	-	-
4	Gold	-	-	-	-	-	-	-	-
5	Metal other than Gold	-	-	-	-	-	-	-	-
6	Others	-	-	-	-	-	-	-	-
Total		252,400	149,899	-	449,092	466,185	1,191,949	-	1,191,949

(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 years ≤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

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

(Rp million)

No	Portfolio category	December 31, 2018			
		Fair Value of Securities Sold Under Repo Agreement	Repo Liabilities	Net Receivable	RWA
(1)	(2)	(3)	(4)	(5)	(6)
1	Receiveable on Sovereigns	246,623	248,145	-	-
2	Receiveable on Public Sector Entities	-	-	-	-
3	Receiveable on Multilateral Development Banks and International Institutions	-	-	-	-
4	Receiveable on Banks	-	-	-	-
5	Receiveable on Micro, Small Business & Retail Portfolio	-	-	-	-
6	Receiveable on Corporate	-	-	-	-
Total		246,623	248,145	-	-

(Rp million)

No	Portfolio category	December 31, 2017			
		Fair Value of Securities Sold Under Repo Agreement	Repo Liabilities	Net Receivable	RWA
(1)	(2)	(7)	(8)	(9)	(10)
1	Receiveable on Sovereigns	-	10,434	-	-
2	Receiveable on Public Sector Entities	-	-	-	-
3	Receiveable on Multilateral Development Banks and International Institutions	-	-	-	-
4	Receiveable on Banks	-	-	-	-
5	Receiveable on Micro, Small Business & Retail Portfolio	-	-	-	-
6	Receiveable on Corporate	-	-	-	-
Total		-	10,434	-	-

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

(Rp million)

No	Portfolio category	December 31, 2018			
		Fair Value of Securities Sold Under Repo Agreement	Repo Liabilities	Net Receivable	RWA
(1)	(2)	(3)	(4)	(5)	(6)
1	Receiveable on Sovereigns	246,623	248,145	-	-
2	Receiveable on Public Sector Entities	-	-	-	-
3	Receiveable on Multilateral Development Banks and International Institutions	-	-	-	-
4	Receiveable on Banks	-	-	-	-
5	Receiveable on Micro, Small Business & Retail Portfolio	-	-	-	-
6	Receiveable on Corporate	-	-	-	-
Total		246,623	248,145	-	-

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(Rp million)

No	Portfolio category	December 31, 2017			
		Fair Value of Securities Sold Under Repo Agreement	Repo Liabilities	Net Receivable	RWA
(1)	(2)	(7)	(8)	(9)	(10)
1	Receiveable on Sovereigns	-	10,434	-	-
2	Receiveable on Public Sector Entities	-	-	-	-
3	Receiveable on Multilateral Development Banks and International Institutions	-	-	-	-
4	Receiveable on Banks	-	-	-	-
5	Receiveable on Micro, Small Business & Retail Portfolio	-	-	-	-
6	Receiveable on Corporate	-	-	-	-
Total		-	10,434	-	-

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

(Rp million)

No	Portfolio category	December 31, 2018			
		Net Receivables	CRM Value	Net Receivables after CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)
1	Receiveable on Sovereigns	-	-	-	-
2	Receiveable on Public Sector Entities	-	-	-	-
3	Receiveable on Multilateral Development Banks and International Institutions	-	-	-	-
4	Receiveable on Banks	-	-	-	-
5	Receiveable on Micro, Small Business & Retail Portfolio	-	-	-	-
6	Receiveable on Corporate	-	-	-	-
Total		-	-	-	-

(Rp million)

No	Portfolio category	December 31, 2017			
		Net Receivables	CRM Value	Net Receivables after CRM	RWA after CRM
(1)	(2)	(7)	(8)	(9)	(10)
1	Receiveable on Sovereigns	298,699	-	298,699	-
2	Receiveable on Public Sector Entities	-	-	-	-
3	Receiveable on Multilateral Development Banks and International Instutions	-	-	-	-
4	Receiveable on Banks	-	-	-	-
5	Receiveable on Micro, Small Bussiness & Retail Portfolio	-	-	-	-
6	Receiveable on Corporate	-	-	-	-
Total		298,699	-	298,699	-

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

(Rp million)

No	Portfolio category	December 31, 2018			
		Net Receivables	CRM Value	Net Receivables after CRM	RWA after CRM
(1)	(2)	(3)	(4)	(5)	(6)
1	Receiveable on Sovereigns	-	-	-	-
2	Receiveable on Public Sector Entities	-	-	-	-
3	Receiveable on Multilateral Development Banks and International Instutions	-	-	-	-
4	Receiveable on Banks	-	-	-	-
5	Receiveable on Micro, Small Bussiness & Retail Portfolio	-	-	-	-
6	Receiveable on Corporate	-	-	-	-
Total		-	-	-	-

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No	Portfolio category	December 31, 2017			
		Net Receivables	CRM Value	Net Receivables after CRM	RWA after CRM
(1)	(2)	(7)	(8)	(9)	(10)
1	Receiveable on Sovereigns	298,699	-	298,699	-
2	Receiveable on Public Sector Entities	-	-	-	-
3	Receiveable on Multilateral Development Banks and International Instutions	-	-	-	-
4	Receiveable on Banks	-	-	-	-
5	Receiveable on Micro, Small Bussiness & Retail Portfolio	-	-	-	-
6	Receiveable on Corporate	-	-	-	-
Total		298,699	-	298,699	-

8) 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:

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

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

- Cash and cash equivalent
- Government and Bank Indonesia Securities
- Standby L/C of prime bank
- Land and building
- Machinery
- Personnel guarantee
- 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 as PPA deduction, the collateral valuation for credit facilities of more than Rp5 billion should be conducted by an independent external appraiser with good qualification, is 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 ensures 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 should be properly documented in the Credit file.

Credit Risk Mitigation Methods for Standardized Approach

To calculate credit risk mitigation as RWA deduction (Credit Risk), Danamon uses the MRK (Credit Risk Mitigation) - collateral. The type of financial collateral recognised are those in accordance with regulations i.e, cash, savings, current accounts, saving deposits, security deposits, gold and securities with certain criteria as per OJK/Bank Indonesia.

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

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

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

Portfolio Category		31 Desember 2018					
		Net Receivables After Calculating Credit Risk Mitigation Impacts					
(1)	(2)	0%	20%	25%	35%	40%	(7)
(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
A Exposure on Balance Sheet							
1	Receivables on Sovereigns	27,624,724	-	-	-	-	-
2	Receivables on Public Sector Entities	-	215,298	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	4,858	2,080,156	-	-	-	-
5	Loans Secured by Residential Property	-	1,062,287	1,840,837	2,460,060	-	-
6	Loans Secured by Commercial Real Estate	158,000	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	83,672	-	-	-	-	-
9	Receivables on Corporate	1,666,218	2,129,201	-	-	-	-
10	Past Due Receivables	21,271	-	-	-	-	-
11	Other Assets	2,574,174	-	-	-	-	-
Total Exposure on Balance Sheet		32,132,917	5,486,942	1,840,837	2,460,060	-	-
B Commitments/Contingencies Exposure for Off Balance Sheet Transactions							
1	Receivables on Sovereigns	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	-	52,788	-	-	-	-
5	Loans Secured by Residential Property	-	123	5	-	-	-
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	20,788	-	-	-	-	-
9	Receivables on Corporate	93,572	-	-	-	-	-
10	Past Due Receivables	-	-	-	-	-	-
Total Commitments/ Contingencies Exposure for Off Balance Sheet Transactions		114,360	52,911	5	-	-	-
C Exposure on Counterparty Credit Risk							
1	Receivables on Sovereigns	24,027	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	-	86,349	-	-	-	-
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-
6	Receivables on Corporate	-	-	-	-	-	-
Total Counterparty Credit Risk Exposures		24,027	86,349	-	-	-	-

(Rp million)

							RWA	Capital Charge (9% x RWA)
45%	50%	75%	100%	150%	Lainnya			
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
-	-	-	-	-	-	-	-	
-	1,309,380	-	-	-	-	697,750	62,798	
-	-	-	-	-	-	-	-	
-	728,638	-	-	-	-	780,350	70,232	
-	-	-	-	-	-	1,533,688	138,032	
-	-	-	1,303,576	-	-	1,303,576	117,322	
-	-	-	-	-	-	-	-	
-	-	30,695,352	-	-	-	23,021,514	2,071,936	
-	44,793	-	66,523,083	-	-	66,971,320	6,027,419	
-	-	-	111,450	2,197,315	-	3,407,423	306,668	
-	-	-	3,137,470	590,658	-	4,023,457	362,111	
-	2,082,811	30,695,352	71,075,579	2,787,973	-	101,739,078	9,156,518	
-	-	-	-	-	-	-	-	
-	55,023	-	-	-	-	27,511	2,476	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	10,558	950	
-	-	-	-	-	-	26	2	
-	-	-	3,100	-	-	3,100	279	
-	-	-	-	-	-	-	-	
-	-	890,518	-	-	-	667,888	60,110	
-	-	-	3,268,074	-	-	3,268,074	294,127	
-	-	-	-	-	-	-	-	
-	55,023	890,518	3,271,174	-	-	3,977,157	357,944	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	323,929	-	-	-	-	179,234	16,131	
-	-	37,616	-	-	-	28,212	2,539	
-	-	-	110,440	-	-	110,440	9,940	
-	323,929	37,616	110,440	-	-	317,886	28,610	

Portfolio Category		31 Desember 2017					
		Net Receivables After Calculating Credit Risk Mitigation Impacts					
(1)	(2)	0%	20%	25%	35%	40%	
		(16)	(17)	(18)	(19)	(20)	
A Exposure on Balance Sheet							
1	Receivables on Sovereigns	24,607,817	-	-	-	-	
2	Receivables on Public Sector Entities	-	204,772	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	11,450	3,330,175	-	-	-	
5	Loans Secured by Residential Property	-	-	-	3,353,680	-	
6	Loans Secured by Commercial Real Estate	122,063	-	-	-	-	
7	Employee/Pensioner Loans	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	80,336	-	-	-	-	
9	Receivables on Corporate	1,592,893	1,846,491	-	-	-	
10	Past Due Receivables	13,000	-	-	-	-	
11	Other Assets	2,325,799	-	-	-	-	
	Total Exposure on Balance Sheet	28,753,358	5,381,438	-	3,353,680	-	
B Commitments/Contingencies Exposure for Off Balance Sheet Transactions							
1	Receivables on Sovereigns	-	-	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	-	6,784	-	-	-	
5	Loans Secured by Residential Property	-	-	-	302	-	
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	
7	Employee/Pensioner Loans	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	21,961	-	-	-	-	
9	Receivables on Corporate	106,929	-	-	-	-	
10	Past Due Receivables	-	-	-	-	-	
	Total Commitments/ Contingencies Exposure for Off Balance Sheet Transactions	128,890	6,784	-	302	-	
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	-	-	-	
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	
6	Receivables on Corporate	-	-	-	-	-	
	Total Counterparty Credit Risk Exposures	298,699	104,770	-	-	-	

(Rp million)

							RWA	Capital Charge (9% x RWA)
	45%	50%	75%	100%	150%	Lainnya		
	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
	-	-	-	-	-	-	-	-
	-	1,166,509	-	-	-	-	624,209	56,179
	-	-	-	-	-	-	-	-
	-	2,457,142	-	-	-	-	1,894,606	170,515
	-	-	-	-	-	-	1,173,788	105,641
	-	-	-	1,123,623	-	-	1,123,623	101,126
	-	-	-	-	-	-	-	-
	-	-	30,804,277	-	-	-	23,103,208	2,079,289
	-	238,861	-	62,490,064	-	-	62,978,792	5,668,091
	-	-	-	77,941	1,944,328	-	2,994,434	269,499
	-	-	-	3,915,896	514,239	-	4,687,252	421,853
	-	3,862,512	30,804,277	67,607,524	2,458,567	-	98,579,912	8,872,193
	-	-	-	-	-	-	-	-
	-	1,437	-	-	-	-	719	65
	-	-	-	-	-	-	-	-
	-	2,500	-	-	-	-	2,607	235
	-	-	-	-	-	-	106	10
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	884,787	-	-	-	663,590	59,723
	-	-	-	2,705,252	-	-	2,705,252	243,473
	-	-	-	-	-	-	-	-
	-	3,937	884,787	2,705,252	-	-	3,372,274	303,506
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	34,359	-	-	-	-	38,133	3,432
	-	-	26,709	-	-	-	20,032	1,803
	-	-	-	5,277	-	-	5,277	475
	-	34,359	26,709	5,277	-	-	63,442	5,710

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

Portfolio Category		31 Desember 2018					
		Net Receivables After Calculating Credit Risk Mitigation Impacts					
(1)	(2)	0%	20%	25%	35%	40%	(7)
A Exposure on Balance Sheet							
1	Receivables on Sovereigns	27,625,286	-	-	-	-	-
2	Receivables on Public Sector Entities	-	215,298	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	4,858	2,260,253	-	-	-	-
5	Loans Secured by Residential Property	-	1,065,070	1,841,520	2,460,060	-	-
6	Loans Secured by Commercial Real Estate	158,000	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	83,672	-	-	-	-	-
9	Receivables on Corporate	1,666,218	2,067,002	-	-	-	-
10	Past Due Receivables	21,271	-	-	-	-	-
11	Other Assets	2,823,774	-	-	-	-	-
Total Exposure on Balance Sheet		32,383,079	5,607,623	1,841,520	2,460,060	-	-
B Commitments/Contingencies Exposure for Off Balance Sheet Transactions							
1	Receivables on Sovereigns	-	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	-	52,788	-	-	-	-
5	Loans Secured by Residential Property	-	123	5	-	-	-
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	20,788	-	-	-	-	-
9	Receivables on Corporate	93,572	-	-	-	-	-
10	Past Due Receivables	-	-	-	-	-	-
Total Commitments/ Contingencies Exposure for Off Balance Sheet Transactions		114,360	52,911	5	-	-	-
C Exposure on Counterparty Credit Risk							
1	Receivables on Sovereigns	24,027	-	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	-	86,349	-	-	-	-
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	-
6	Receivables on Corporate	-	-	-	-	-	-
Total Counterparty Credit Risk Exposures		24,027	86,349	-	-	-	-

(Rp million)

							RWA	Capital Charge (9% x RWA)
	45%	50%	75%	100%	150%	Lainnya		
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	-	-	-	-	-	-	-	-
	-	1,309,674	-	-	-	-	697,897	62,811
	-	-	-	-	-	-	-	-
	-	728,638	-	-	-	-	816,370	73,474
	-	-	-	-	-	-	1,534,415	138,097
	-	-	-	1,303,576	-	-	1,303,576	117,322
	-	-	-	-	-	-	-	-
	-	-	59,234,196	-	-	-	44,425,647	3,998,308
	-	44,793	-	66,677,749	-	-	67,113,546	6,040,219
	-	-	-	111,450	2,617,539	-	4,037,760	363,398
	-	-	-	4,172,323	590,658	-	5,058,309	455,248
	-	2,083,105	59,234,196	72,265,098	3,208,197	-	124,987,520	11,248,877
	-	-	-	-	-	-	-	-
	-	55,023	-	-	-	-	27,511	2,476
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	10,558	950
	-	-	-	-	-	-	26	2
	-	-	-	3,100	-	-	3,100	279
	-	-	-	-	-	-	-	-
	-	-	890,518	-	-	-	667,888	60,110
	-	-	-	3,268,074	-	-	3,268,074	294,127
	-	-	-	-	-	-	-	-
	-	55,023	890,518	3,271,174	-	-	3,977,157	357,944
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	933,517	-	-	-	-	484,028	43,562
	-	-	37,616	-	-	-	28,212	2,539
	-	-	-	110,440	-	-	110,440	9,940
	-	933,517	37,616	110,440	-	-	622,680	56,041

Portfolio Category		31 Desember 2017					
		Net Receivables After Calculating Credit Risk Mitigation Impacts					
(1)	(2)	0%	20%	25%	35%	40%	
		(16)	(17)	(18)	(19)	(20)	
A Exposure on Balance Sheet							
1	Receivables on Sovereigns	24,608,480	-	-	-	-	
2	Receivables on Public Sector Entities	-	204,771	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	11,450	3,600,194	-	-	-	
5	Loans Secured by Residential Property	-	-	-	3,355,677	-	
6	Loans Secured by Commercial Real Estate	122,063	-	-	-	-	
7	Employee/Pensioner Loans	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	80,336	-	-	-	-	
9	Receivables on Corporate	1,592,894	1,838,161	-	-	-	
10	Past Due Receivables	13,000	-	-	-	-	
11	Other Assets	2,546,272	-	-	-	-	
	Total Exposure on Balance Sheet	28,974,495	5,643,126	-	3,355,677	-	
B Commitments/Contingencies Exposure for Off Balance Sheet Transactions							
1	Receivables on Sovereigns	-	-	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	-	6,784	-	-	-	
5	Loans Secured by Residential Property	-	-	-	302	-	
6	Loans Secured by Commercial Real Estate	-	-	-	-	-	
7	Employee/Pensioner Loans	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	21,961	-	-	-	-	
9	Receivables on Corporate	106,929	-	-	-	-	
10	Past Due Receivables	-	-	-	-	-	
	Total Commitments/ Contingencies Exposure for Off Balance Sheet Transactions	128,890	6,784	-	302	-	
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	-	-	-	
5	Receivables on Micro, Small Business & Retail Portfolio	-	-	-	-	-	
6	Receivables on Corporate	-	-	-	-	-	
	Total Counterparty Credit Risk Exposures	298,699	104,770	-	-	-	

(Rp million)

							RWA	Capital Charge (9% x RWA)
	45%	50%	75%	100%	150%	Lainnya		
	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
	-	-	-	-	-	-	-	-
	-	1,167,126	-	-	-	-	624,517	56,207
	-	-	-	-	-	-	-	-
	-	2,457,142	-	-	-	-	1,948,610	175,375
	-	-	-	-	-	-	1,174,487	105,704
	-	-	-	1,123,623	-	-	1,123,623	101,126
	-	-	-	-	-	-	-	-
	-	-	57,291,298	-	-	-	42,968,473	3,867,163
	-	238,861	-	61,858,816	-	-	62,345,878	5,611,129
	-	-	-	77,941	2,357,200	-	3,613,742	325,237
	-	-	-	4,534,388	514,239	-	5,305,747	477,517
	-	3,863,129	57,291,298	67,594,768	2,871,439	-	119,105,077	10,719,458
	-	-	-	-	-	-	-	-
	-	1,437	-	-	-	-	719	65
	-	-	-	-	-	-	-	-
	-	2,500	-	-	-	-	2,607	235
	-	-	-	-	-	-	106	10
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	884,787	-	-	-	663,590	59,723
	-	-	-	2,705,252	-	-	2,705,252	243,473
	-	-	-	-	-	-	-	-
	-	3,937	884,787	2,705,252	-	-	3,372,274	303,506
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	252,775	-	-	-	-	147,341	13,261
	-	-	26,709	-	-	-	20,032	1,803
	-	-	-	5,277	-	-	5,277	475
	-	252,775	26,709	5,277	-	-	172,650	15,539

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

Portfolio Category		Net Receivables	December 31, 2018				
			Exposure which is Secured by				
(1)	(2)	(3)	Collateral (4)	Guarantee (5)	Credit Insurance (6)	Others (7)	
A Exposure on Balance Sheet							
1	Receivables on Sovereigns	27,624,724	-	-	-	-	
2	Receivables on Public Sector Entities	1,524,678	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	2,813,652	4,858	-	-	-	
5	Loans Secured by Residential Property	5,363,184	-	-	-	-	
6	Loans Secured by Commercial Real Estate	1,461,576	158,000	-	-	-	
7	Employee/Pensioner Loans	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	30,779,024	83,672	-	-	-	
9	Receivables on Corporate	70,363,295	1,666,218	-	-	-	
10	Past Due Receivables	2,330,036	21,271	-	-	-	
11	Other Assets	6,302,302	-	-	-	-	
Total Exposure on Balance Sheet		148,562,471	1,934,019	-	-	-	
B Commitments/Contingencies Exposure for Off Balance Sheet Transactions							
1	Receivables on Sovereigns	-	-	-	-	-	
2	Receivables on Public Sector Entities	55,023	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	52,788	-	-	-	-	
5	Loans Secured by Residential Property	128	-	-	-	-	
6	Loans Secured by Commercial Real Estate	3,100	-	-	-	-	
7	Employee/Pensioner Loans	-	-	-	-	-	
8	Receivables on Micro, Small Business & Retail Portfolio	911,306	20,788	-	-	-	
9	Receivables on Corporate	3,361,646	93,572	-	-	-	
10	Past Due Receivables	-	-	-	-	-	
Total Commitments/ Contingencies Exposure for Off Balance Sheet Transactions		4,383,991	114,360	-	-	-	
C Exposure on Counterparty Credit Risk							
1	Receivables on Sovereigns	24,027	-	-	-	-	
2	Receivables on Public Sector Entities	-	-	-	-	-	
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	
4	Receivables on Banks	410,278	-	-	-	-	
5	Receivables on Micro, Small Business & Retail Portfolio	37,616	-	-	-	-	
6	Receivables on Corporate	110,440	-	-	-	-	
Total Exposure Counterparty Credit Risk		582,361	-	-	-	-	
Total (A+B+C)		153,528,823	2,048,379	-	-	-	

(Rp million)

	Unsecured Exposure	Net Receivables	December 31, 2017				Unsecured Exposure
			Exposure which is Secured by				
			Collateral	Guarantee	Credit Insurance	Others	
	(8) = (3) - [(4) + (5) + (6) + (7)]	(9)	(10)	(11)	(12)	(13)	(14) = (9) - [(10) + (11) + (12) + (13)]
	27,624,724	24,607,817	-	-	-	-	24,607,817
	1,524,678	1,371,281	-	-	-	-	1,371,281
	-	-	-	-	-	-	-
	2,808,794	5,798,767	11,450	-	-	-	5,787,317
	5,363,184	3,353,680	-	-	-	-	3,353,680
	1,303,576	1,245,686	122,063	-	-	-	1,123,623
	-	-	-	-	-	-	-
	30,695,352	30,884,613	80,336	-	-	-	30,804,277
	68,697,077	66,168,309	1,592,893	-	-	-	64,575,416
	2,308,765	2,035,269	13,000	-	-	-	2,022,269
	6,302,302	6,755,934	-	-	-	-	6,755,934
	146,628,452	142,221,356	1,819,742	-	-	-	140,401,614
	-	-	-	-	-	-	-
	55,023	1,437	-	-	-	-	1,437
	-	-	-	-	-	-	-
	52,788	9,284	-	-	-	-	9,284
	128	302	-	-	-	-	302
	3,100	-	-	-	-	-	-
	-	-	-	-	-	-	-
	890,518	906,748	21,961	-	-	-	884,787
	3,268,074	2,812,181	106,929	-	-	-	2,705,252
	-	-	-	-	-	-	-
	4,269,631	3,729,952	128,890	-	-	-	3,601,062
	24,027	298,699	-	-	-	-	298,699
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	410,278	139,129	-	-	-	-	139,129
	37,616	26,709	-	-	-	-	26,709
	110,440	5,277	-	-	-	-	5,277
	582,361	469,814	-	-	-	-	469,814
	151,480,444	146,421,122	1,948,632	-	-	-	144,472,490

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

Portfolio Category		Net Receivables	December 31, 2018			
			Exposure which is Secured by			
(1)	(2)	(3)	Collateral (4)	Guarantee (5)	Credit Insurance (6)	Others (7)
A Exposure on Balance Sheet						
1	Receivables on Sovereigns	27,625,286	-	-	-	-
2	Receivables on Public Sector Entities	1,524,972	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-
4	Receivables on Banks	2,993,749	4,858	-	-	-
5	Loans Secured by Residential Property	5,366,650	-	-	-	-
6	Loans Secured by Commercial Real Estate	1,461,576	158,000	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	59,317,868	83,672	-	-	-
9	Receivables on Corporate	70,455,762	1,666,218	-	-	-
10	Past Due Receivables	2,750,260	21,271	-	-	-
11	Other Assets	7,586,755	-	-	-	-
Total Exposure on Balance Sheet		179,082,878	1,934,019	-	-	-
B Commitments/Contingencies Exposure for Off Balance Sheet Transactions						
1	Receivables on Sovereigns	-	-	-	-	-
2	Receivables on Public Sector Entities	55,023	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-
4	Receivables on Banks	52,788	-	-	-	-
5	Loans Secured by Residential Property	128	-	-	-	-
6	Loans Secured by Commercial Real Estate	3,100	-	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	911,306	20,788	-	-	-
9	Receivables on Corporate	3,361,646	93,572	-	-	-
10	Past Due Receivables	-	-	-	-	-
Total Commitments/ Contingencies Exposure for Off Balance Sheet Transactions		4,383,991	114,360	-	-	-
C Exposure on Counterparty Credit Risk						
1	Receivables on Sovereigns	24,027	-	-	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-
4	Receivables on Banks	1,019,866	-	-	-	-
5	Receivables on Micro, Small Business & Retail Portfolio	37,616	-	-	-	-
6	Receivables on Corporate	110,440	-	-	-	-
Total Eksposur Counterparty Credit Risk		1,191,949	-	-	-	-
Total (A+B+C)		184,658,818	2,048,379	-	-	-

(Rp million)

	Unsecured Exposure	Net Receivables	December 31, 2017				Unsecured Exposure
			Exposure which is Secured by				
			Collateral	Guarantee	Credit Insurance	Others	
(8) = (3) - [(4) + (5) + (6) + (7)]	(9)	(10)	(11)	(12)	(13)	(14) = (9) - [(10) + (11) + (12) + (13)]	
	27,625,286	24,608,480	-	-	-	-	24,608,480
	1,524,972	1,371,897	-	-	-	-	1,371,897
	-	-	-	-	-	-	-
	2,988,891	6,068,786	11,450	-	-	-	6,057,336
	5,366,650	3,355,677	-	-	-	-	3,355,677
	1,303,576	1,245,686	122,063	-	-	-	1,123,623
	-	-	-	-	-	-	-
	59,234,196	57,371,635	80,336	-	-	-	57,291,299
	68,789,544	65,528,732	1,592,893	-	-	-	63,935,839
	2,728,989	2,448,141	13,000	-	-	-	2,435,141
	7,586,755	7,594,899	-	-	-	-	7,594,899
	177,148,859	169,593,933	1,819,742	-	-	-	167,774,191
	-	-	-	-	-	-	-
	55,023	1,437	-	-	-	-	1,437
	-	-	-	-	-	-	-
	52,788	9,284	-	-	-	-	9,284
	128	302	-	-	-	-	302
	3,100	-	-	-	-	-	-
	-	-	-	-	-	-	-
	890,518	906,748	21,961	-	-	-	884,787
	3,268,074	2,812,181	106,929	-	-	-	2,705,252
	-	-	-	-	-	-	-
	4,269,631	3,729,952	128,890	-	-	-	3,601,062
	24,027	298,699	-	-	-	-	298,699
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	1,019,866	357,545	-	-	-	-	357,545
	37,616	26,709	-	-	-	-	26,709
	110,440	5,277	-	-	-	-	5,277
	1,191,949	688,230	-	-	-	-	688,230
	182,610,439	174,012,115	1,948,632	-	-	-	172,063,483

9) 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 that are issued based on the transfer of financial assets from the original borrower followed by the payment from proceeds of the sale of asset-backed securities to investors.

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)

	Portfolio Category	December 31, 2018			December 31, 2017		
		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	27,624,724	-	-	24,607,817	-	-
2	Receivables on Public Sector Entities	1,524,678	697,750	697,750	1,371,281	624,209	624,209
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	2,813,652	782,779	780,350	5,798,767	1,900,331	1,894,606
5	Loans Secured by Residential Property	5,363,184	1,533,688	1,533,688	3,353,680	1,173,788	1,173,788
6	Loans Secured by Commercial Real Estate	1,461,576	1,461,576	1,303,576	1,245,686	1,245,686	1,123,623
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	30,779,024	23,084,268	23,021,514	30,884,613	23,163,460	23,103,208
9	Receivables on Corporate	70,363,295	68,637,538	66,971,320	66,168,309	64,571,686	62,978,792
10	Past Due Receivables	2,330,036	3,439,329	3,407,423	2,035,269	3,013,933	2,994,434
11	Other Assets	6,302,302	-	4,023,456	6,755,934	-	4,687,252
	Total	148,562,471	99,636,928	101,739,077	142,221,356	95,693,093	98,579,912

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

(Rp million)

	Portfolio Category	December 31, 2018			December 31, 2017		
		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	55,023	27,511	27,511	1,437	719	719
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	52,788	10,558	10,558	9,284	2,607	2,607
5	Loans Secured by Residential Property	128	26	26	302	106	106
6	Loans Secured by Commercial Real Estate	3,100	3,100	3,100	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	911,306	683,479	667,888	906,748	680,061	663,590
9	Receivables on Corporate	3,361,646	3,361,646	3,268,075	2,812,181	2,812,181	2,705,252
10	Past Due Receivables	-	-	-	-	-	-
Total		4,383,991	4,086,320	3,977,158	3,729,952	3,495,674	3,372,274

c. Disclosure of Exposures causing Counterparty Credit Risk

(Rp million)

	Portfolio Category	December 31, 2018			December 31, 2017		
		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	24,027	-	-	298,699	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	410,278	179,234	179,234	139,129	38,133	38,133
5	Receivables on Micro, Small Business & Retail Portfolio	37,616	28,212	28,212	26,709	20,032	20,032
6	Receivables on Corporate	110,440	110,440	110,440	5,277	5,277	5,277
7	Weighted Exposure from Credit Valuation Adjustment (CVA)			56,815			5,663
Total		582,361	317,886	374,701	469,814	63,442	69,105

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 2018 and 2017.

e. Disclosure of Securitization Exposures

There is no exposure from the Securitization Exposures in 2018 and 2017

f. Disclosure of Total Credit Risks Measurement

Portfolio Category	December 31, 2018	December 31, 2017
Total Credit Risk RWA	106,090,936	102,021,291
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)

(1)	Portfolio Category	December 31, 2018			December 31, 2017		
		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	27,625,286	-	-	24,608,480	-	-
2	Receivables on Public Sector Entities	1,524,972	697,897	697,897	1,371,897	624,517	624,517
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	2,993,749	818,799	816,370	6,068,786	1,954,335	1,948,610
5	Loans Secured by Residential Property	5,366,650	1,534,415	1,534,415	3,355,677	1,174,487	1,174,487
6	Loans Secured by Commercial Real Estate	1,461,576	1,461,576	1,303,576	1,245,686	1,245,686	1,123,623
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	59,317,868	44,488,401	44,425,647	57,371,634	43,028,726	42,968,473
9	Receivables on Corporate	70,455,762	68,779,764	67,113,546	65,528,732	63,938,773	62,345,878
10	Past Due Receivables	2,750,260	4,069,666	4,037,760	2,448,141	3,633,241	3,613,742
11	Other Assets	7,586,755	-	5,058,308	7,594,899	-	5,305,747
	Total	179,082,878	121,850,518	124,987,519	169,593,932	115,599,765	119,105,077

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

(Rp million)

(1)	Portfolio Category	December 31, 2018			December 31, 2017		
		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	55,023	27,511	27,511	1,437	719	719
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	52,788	10,558	10,558	9,284	2,607	2,607
5	Loans Secured by Residential Property	128	26	26	302	106	106
6	Loans Secured by Commercial Real Estate	3,100	3,100	3,100	-	-	-
7	Employee/Pensioner Loans	-	-	-	-	-	-
8	Receivables on Micro, Small Business & Retail Portfolio	911,306	683,479	667,888	906,748	680,061	663,590
9	Receivables on Corporate	3,361,646	3,361,646	3,268,075	2,812,181	2,812,181	2,705,252
10	Past Due Receivables	-	-	-	-	-	-
	Total	4,383,991	4,086,320	3,977,158	3,729,952	3,495,674	3,372,274

c. Disclosure of Exposures causing Counterparty Credit Risk

(Rp million)

	Portfolio Category	December 31, 2018			December 31, 2017		
		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	24,027	-	-	298,699	-	-
2	Receivables on Public Sector Entities	-	-	-	-	-	-
3	Receivables on Multilateral Development Banks and International Institutions	-	-	-	-	-	-
4	Receivables on Banks	1,019,866	484,028	484,028	357,545	147,341	147,341
5	Receivables on Micro, Small Business & Retail Portfolio	37,616	28,212	28,212	26,709	20,032	20,032
6	Receivables on Corporate	110,440	110,440	110,440	5,277	5,277	5,277
7	Weighted Exposure from Credit Valuation Adjustment (CVA)			309,758			5,663
	Total	1,191,949	622,680	932,438	688,230	172,650	178,313

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 2018 and 2017.

e. Disclosure of Securitization Exposures

There is no exposure from the Securitization Exposures in 2018 and 2017

f. Disclosure of Total Credit Risks Measurement

(Rp million)

Portfolio Category	December 31, 2018	December 31, 2017
Total Credit Risk RWA	129,897,115	122,655,664
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 change 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.

Currently, EAR and EVE measurements refer to the Bank's internal guidelines. In future, it will be aligned with OJK regulation related to Interest Rate Risk in the Banking Book (IRRBB).

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.

In 2018, EAR limit utilization, both individually and consolidated, are still within internal threshold.

EVE Limit utilization, individually and consolidated, is also within internal threshold.

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

No.	Type of Risk	December 31, 2018				December 31, 2017			
		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								
	a. Specific Risk	-	-	-	-	-	-	-	-
	b. General Risk	22,730	284,125	22,730	284,125	24,229	302,863	24,229	302,863
2	Foreign Exchange Risk	29,914	373,930	29,966	374,575	18,949	236,868	18,994	237,425
3	Equity Risk			-	-			-	-
4	Commodity Risk			-	-			-	-
5	Option Risk	-	-	-	-	-	-	-	-
	Total	52,644	658,055	52,696	658,700	43,178	539,731	43,223	540,288

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 (OJK) 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 fulfilment 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 and market indicators that can be a warning to 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. Rasio Intermediasi Makroprudensial (RIM)

Macroprudential Intermediary Ratio is a ratio comparing:

- loans granted in both rupiah as well as foreign currencies; and
- marketable securities issued by corporate in both rupiah as well as foreign currencies fulfilling certain criteria, which are held by the Bank;

against

- Customer deposits in the form of current account, savings account and term deposits in both rupiah and foreign currencies, exclude interbank funds; and
- marketable securities in both rupiah as well as foreign currencies fulfilling certain criteria, issued by the Bank to raise funding.

b. Reserve Requirements (*Giro Wajib Minimum*/GWM)

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

c. Macroprudential Liquidity Buffer (*Penyangga Likuiditas Makroprudensial*/PLM)

PLM is a minimum liquidity buffer in Rupiah, which have to be maintained by the Bank in the form of marketable securities fulfilling certain conditions, in the amount as determined by Bank Indonesia at a certain percentage of third party funds in Rupiah.

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.

Danamon's Individual and Consolidated LCR ratio for the year of 2018 above the defined ratio set forth in POJK No.42/POJK.03/2015.

Calculation of consolidated LCR is the combination of Danamon's LCR with Subsidiaries' LCR (in this case, financial institution Subsidiaries engaged in multi finance). In general, the Subsidiaries' LCR has a marginal impact to the Consolidated LCR.

Disclosure on LCR

LCR value (%)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(1)	(2)	(3)	(4)
Danamon as Individual	122.03%	118.14%	122.97%	125.38%
Danamon as Consolidated	119.26%	115.16%	120.19%	126.44%

e. Net Stable Funding Ratio (NSFR)

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.

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.

Danamon's Individual and Consolidated NSFR ratio for the year 2018 above the defined ratio set forth in POJK No.42/POJK.03/2015, which is 100%.

Disclosure on NSFR

NSFR value (%)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(1)	(2)	(3)	(4)
Danamon as Individual	124.27%	126.79%	126.20%	126.18%
Danamon as Consolidated	119.06%	122.05%	121.72%	122.16%

In general, Danamon's liquidity is well-managed. 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.

f. Others

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

Third Party Funds (DPK) Composition 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 to the internal as well as regulatory liquidity ratios. 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.

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 for Rupiah-Bank Stand Alone

No	Items	Balance	December 31, 2018					
			≤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. Asset								
	1. Cash	2,433,464	2,433,464	-	-	-	-	
	2. Placements with Bank Indonesia	6,938,677	6,687,269	251,408	-	-	-	
	3. Placements with Other Banks	182,746	84,221	-	98,525	-	-	
	4. Marketable Securities	14,867,099	715,346	2,408,675	4,454,920	1,589,287	5,698,871	
	5. Loans	97,281,582	14,296,039	14,730,317	14,069,982	19,764,881	34,420,363	
	6. Other Receivables	677,260	263,604	245,570	113,274	20,344	34,468	
	7. Others	1,209,608	60,397	143,544	50,229	-	955,438	
	Total Assets	123,590,436	24,540,340	17,779,514	18,786,930	21,374,512	41,109,140	
B. Liabilities								
	1. Deposits from Customers	86,322,733	30,889,151	11,708,589	4,468,580	4,765,045	34,491,368	
	2. Liabilities with Bank Indonesia	-	-	-	-	-	-	
	3. Liabilities with Other Banks	3,146,329	965,035	245,892	265,170	508,998	1,161,234	
	4. Securities issued	-	-	-	-	-	-	
	5. Borrowings	75,283	50,000	-	-	-	25,283	
	6. Other Liabilities	1,115,128	595,245	246,603	80,013	11,591	181,676	
	7. Others	2,642,209	30,202	-	-	-	2,612,007	
	Total Liabilities	93,301,682	32,529,633	12,201,084	4,813,763	5,285,634	38,471,568	
	On Balance Sheet Assets and Liabilities Differences	30,288,754	(7,989,293)	5,578,430	13,973,167	16,088,878	2,637,572	
II OFF BALANCE SHEET								
A. Off Balance Sheet Receivables								
	1. Commitments	-	-	-	-	-	-	
	2. Contingencies	14,900	-	9,400	-	5,500	-	
	Total Off Balance Sheet Receivables	14,900	-	9,400	-	5,500	-	
B. Off Balance Sheet Payables								
	1. Commitments	32,519,484	2,027,475	4,924,292	6,351,130	10,131,977	9,084,610	
	2. Contingencies	4,191,995	797,733	802,393	948,794	1,359,710	283,365	
	Total Off Balance Sheet Payables	36,711,479	2,825,208	5,726,685	7,299,924	11,491,687	9,367,975	
	Off Balance Sheet Receivables and Payables Differences	(36,696,579)	(2,825,208)	(5,717,285)	(7,299,924)	(11,486,187)	(9,367,975)	
	Differences [(IA-IB)+(IIA-IIB)]	(6,407,825)	(10,814,501)	(138,855)	6,673,243	4,602,691	(6,730,403)	
	Cumulative Differences	(6,407,825)	(10,814,501)	(10,953,356)	(4,280,113)	322,578	(6,407,825)	

	Balance	December 31, 2017				
		≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
		(9)	(10)	(11)	(12)	(13)
	2,130,007	2,130,007	-	-	-	-
	11,435,012	9,219,592	1,042,065	344,612	828,743	-
	1,599,807	121,356	588,867	536,074	353,510	-
	13,160,675	1,257,400	3,612,730	1,661,402	1,056,311	5,572,832
	91,121,513	12,941,439	12,597,014	14,227,920	19,782,557	31,572,583
	636,419	280,816	301,523	41,201	21	12,858
	2,078,308	811,992	31,117	26,679	-	1,208,520
	122,161,741	26,762,602	18,173,316	16,837,888	22,021,142	38,366,793
	84,166,646	28,225,830	12,778,413	5,595,515	6,893,792	30,673,096
	-	-	-	-	-	-
	4,641,807	2,771,583	385,574	359,795	815,536	309,319
	-	-	-	-	-	-
	60,176	50,000	-	-	-	10,176
	562,768	166,824	164,059	42,491	-	189,394
	3,195,062	417,633	-	673	-	2,776,756
	92,626,459	31,631,870	13,328,046	5,998,474	7,709,328	33,958,741
	29,535,282	(4,869,268)	4,845,270	10,839,414	14,311,814	4,408,052
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	31,146,280	2,187,871	3,325,525	5,656,867	11,558,595	8,417,422
	3,433,456	529,610	667,896	818,441	1,127,525	289,984
	34,579,736	2,717,481	3,993,421	6,475,308	12,686,120	8,707,406
	(34,579,736)	(2,717,481)	(3,993,421)	(6,475,308)	(12,686,120)	(8,707,406)
	(5,044,454)	(7,586,749)	851,849	4,364,106	1,625,694	(4,299,354)
	(5,044,454)	(7,586,749)	(6,734,900)	(2,370,794)	(745,100)	(5,044,454)

1.1.b Disclosure of Maturity Profile for Rupiah-Consolidated

No	Items	Balance	December 31, 2018					
			≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months	
			(4)	(5)	(6)	(7)	(8)	
(1)	(2)	(3)						
I BALANCE SHEET								
A. Asset								
	1. Cash	2,683,064	2,683,064	-	-	-	-	
	2. Placements with Bank Indonesia	6,938,677	6,687,269	251,408	-	-	-	
	3. Placements with Other Banks	362,303	263,778	-	98,525	-	-	
	4. Marketable Securities	14,805,140	715,346	2,408,675	4,454,920	1,589,287	5,636,912	
	5. Loans	126,348,722	14,419,120	15,045,131	15,009,962	23,049,488	58,825,021	
	6. Other Receivables	925,385	265,583	249,414	125,598	43,784	241,006	
	7. Others	1,815,655	218,701	154,412	59,771	1,292	1,381,479	
	Total Assets	153,878,946	25,252,861	18,109,040	19,748,776	24,683,851	66,084,418	
B. Liabilities								
	1. Deposits from Customers	84,840,453	29,406,871	11,708,589	4,468,580	4,765,045	34,491,368	
	2. Liabilities with Bank Indonesia	-	-	-	-	-	-	
	3. Liabilities with Other Banks	3,146,329	965,035	245,892	265,170	508,998	1,161,234	
	4. Securities issued	10,126,907	-	330,433	1,684,236	1,258,608	6,853,630	
	5. Borrowings	4,023,922	116,667	50,000	1,120,834	1,128,755	1,607,666	
	6. Other Liabilities	1,353,098	595,245	246,603	80,013	11,591	419,646	
	7. Others	4,887,997	1,561,015	70,097	7,998	636,880	2,612,007	
	Total Liabilities	108,378,706	32,644,833	12,651,614	7,626,831	8,309,877	47,145,551	
	On Balance Sheet Assets and Liabilities Differences	45,500,240	(7,391,972)	5,457,426	12,121,945	16,373,974	18,938,867	
II OFF BALANCE SHEET								
A. Off Balance Sheet Receivables								
	1. Commitments	-	-	-	-	-	-	
	2. Contingencies	14,900	-	9,400	-	5,500	-	
	Total Off Balance Sheet Receivables	14,900	-	9,400	-	5,500	-	
B. Off Balance Sheet Payables								
	1. Commitments	32,519,484	2,027,475	4,924,292	6,351,130	10,131,977	9,084,610	
	2. Contingencies	4,191,995	797,733	802,393	948,794	1,359,710	283,365	
	Total Off Balance Sheet Payables	36,711,479	2,825,208	5,726,685	7,299,924	11,491,687	9,367,975	
	Off Balance Sheet Receivables and Payables Differences	(36,696,579)	(2,825,208)	(5,717,285)	(7,299,924)	(11,486,187)	(9,367,975)	
	Differences [(IA-IB)+(IIA-IIB)]	8,803,661	(10,217,180)	(259,859)	4,822,021	4,887,787	9,570,892	
	Cumulative Differences	8,803,661	(10,217,180)	(10,477,039)	(5,655,018)	(767,231)	8,803,661	

(Rp million)

	December 31, 2017					
	Balance	≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
		(9)	(10)	(11)	(12)	(13)
	2,350,479	2,350,479	-	-	-	-
	11,435,012	9,219,592	1,042,065	344,612	828,743	-
	1,869,318	390,867	588,867	536,074	353,510	-
	13,152,471	1,257,400	3,612,730	1,661,402	1,056,311	5,564,628
	117,173,512	12,257,540	12,899,803	15,173,002	23,054,308	53,788,859
	1,020,720	284,586	307,607	69,386	73,348	285,793
	2,388,418	1,045,711	47,517	30,534	851	1,263,805
	149,389,930	26,806,175	18,498,589	17,815,010	25,367,071	60,903,085
	82,152,020	26,211,204	12,778,413	5,595,515	6,893,792	30,673,096
	-	-	-	-	-	-
	4,641,807	2,771,583	385,574	359,795	815,536	309,319
	10,454,165	-	850,865	1,985,629	1,812,472	5,805,199
	4,794,086	399,979	849,978	2,032,803	1,511,284	42
	569,975	166,824	164,059	42,491	5,285	191,316
	6,002,611	2,552,599	267,921	74,412	322,943	2,784,736
	108,614,664	32,102,189	15,296,810	10,090,645	11,361,312	39,763,708
	40,775,266	(5,296,014)	3,201,779	7,724,365	14,005,759	21,139,377
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	36,144,499	2,219,529	4,392,586	7,168,279	12,112,803	10,251,302
	3,433,456	529,610	667,896	818,441	1,127,525	289,984
	39,577,955	2,749,139	5,060,482	7,986,720	13,240,328	10,541,286
	(39,577,955)	(2,749,139)	(5,060,482)	(7,986,720)	(13,240,328)	(10,541,286)
	1,197,311	(8,045,153)	(1,858,703)	(262,355)	765,431	10,598,091
	1,197,311	(8,045,153)	(9,903,856)	(10,166,211)	(9,400,780)	1,197,311

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

No	Items	Balance	December 31, 2018					
			≤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. Asset								
	1. Cash	140,708	140,708	-	-	-	-	
	2. Placements with Bank Indonesia	8,983,905	6,826,905	2,157,000	-	-	-	
	3. Placements with Other Banks	1,190,046	1,190,046	-	-	-	-	
	4. Marketable Securities	4,312,806	370,774	2,398,469	260,968	10,368	1,272,227	
	5. Loans	7,290,172	2,080,211	1,443,709	918,523	507,600	2,340,129	
	6. Other Receivables	1,203,103	751,010	241,742	178,441	31,507	403	
	7. Others	124,431	8,556	75,941	2,330	14	37,590	
	Total Assets	23,245,171	11,368,210	6,316,861	1,360,262	549,489	3,650,349	
B. Liabilities								
	1. Deposits from Customers	23,234,442	7,176,066	4,467,219	4,695,214	2,894,104	4,001,839	
	2. Liabilities with Bank Indonesia	-	-	-	-	-	-	
	3. Liabilities with Other Banks	6,097	259	503	762	1,524	3,049	
	4. Securities issued	-	-	-	-	-	-	
	5. Borrowings	-	-	-	-	-	-	
	6. Other Liabilities	1,345,322	757,898	231,087	181,907	31,507	142,923	
	7. Others	78,083	2,243	-	-	-	75,840	
	Total Liabilities	24,663,944	7,936,466	4,698,809	4,877,883	2,927,135	4,223,651	
	On Balance Sheet Assets and Liabilities Differences	(1,418,773)	3,431,744	1,618,052	(3,517,621)	(2,377,646)	(573,302)	
II OFF BALANCE SHEET								
A. Off Balance Sheet Receivables								
	1. Commitments	11,715,544	5,620,811	4,926,344	143,800	287,600	736,989	
	2. Contingencies	50,847	-	15,098	35,749	-	-	
	Total Off Balance Sheet Receivables	11,766,391	5,620,811	4,941,442	179,549	287,600	736,989	
B. Off Balance Sheet Payables								
	1. Commitments	15,513,604	4,719,703	4,695,573	2,612,659	2,171,855	1,313,814	
	2. Contingencies	254,541	21,843	35,001	81,693	109,389	6,615	
	Total Off Balance Sheet Payables	15,768,145	4,741,546	4,730,574	2,694,352	2,281,244	1,320,429	
	Off Balance Sheet Receivables and Payables Differences	(4,001,754)	879,265	210,868	(2,514,803)	(1,993,644)	(583,440)	
	Differences [(IA-IB)+(IIA-IIB)]	(5,420,527)	4,311,009	1,828,920	(6,032,424)	(4,371,290)	(1,156,742)	
	Cumulative Differences	(5,420,527)	4,311,009	6,139,929	107,505	(4,263,785)	(5,420,527)	

(Rp million)

	December 31, 2017					
	Balance	≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
		(9)	(10)	(11)	(12)	(13)
	195,793	195,793	-	-	-	-
	4,432,557	3,132,383	982,450	317,724	-	-
	1,861,271	1,861,271	-	-	-	-
	5,979,794	1,868,598	681,672	234,704	321,875	2,872,945
	6,647,234	2,117,303	1,316,549	960,620	372,306	1,880,456
	1,174,498	261,093	562,115	223,606	96,316	31,368
	196,866	114,362	51,937	3,134	149	27,284
	20,488,013	9,550,803	3,594,723	1,739,788	790,646	4,812,053
	19,968,646	6,625,824	4,075,908	2,669,039	2,145,442	4,452,433
	-	-	-	-	-	-
	21,993	1,506	3,419	2,442	4,871	9,755
	41	41	-	-	-	-
	-	-	-	-	-	-
	1,219,150	271,053	562,102	223,606	96,302	66,087
	208,397	139,989	1,669	163	-	66,576
	21,418,227	7,038,413	4,643,098	2,895,250	2,246,615	4,594,851
	(930,214)	2,512,390	(1,048,375)	(1,155,462)	(1,455,969)	217,202
	8,450,884	7,765,915	361,913	69,805	27,135	226,116
	28,817	9,497	19,076	-	244	-
	8,479,701	7,775,412	380,989	69,805	27,379	226,116
	12,805,075	5,427,611	3,295,858	1,101,491	2,618,962	361,153
	200,175	54,379	19,089	59,602	57,608	9,497
	13,005,250	5,481,990	3,314,947	1,161,093	2,676,570	370,650
	(4,525,549)	2,293,422	(2,933,958)	(1,091,288)	(2,649,191)	(144,534)
	(5,455,763)	4,805,812	(3,982,333)	(2,246,750)	(4,105,160)	72,668
	(5,455,763)	4,805,812	823,479	(1,423,271)	(5,528,431)	(5,455,763)

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

No	Items	Balance	December 31, 2018					
			≤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. Asset								
	1. Cash	140,708	140,708	-	-	-	-	
	2. Placements with Bank Indonesia	8,983,905	6,826,905	2,157,000	-	-	-	
	3. Placements with Other Banks	1,190,585	1,190,585	-	-	-	-	
	4. Marketable Securities	4,312,806	370,774	2,398,469	260,968	10,368	1,272,227	
	5. Loans	7,290,172	2,080,211	1,443,709	918,523	507,600	2,340,129	
	6. Other Receivables	1,456,659	751,010	326,331	235,422	143,493	403	
	7. Others	124,431	8,556	75,941	2,330	14	37,590	
	Total Assets	23,499,266	11,368,749	6,401,450	1,417,243	661,475	3,650,349	
B. Liabilities								
	1. Deposits from Customers	23,234,336	7,175,960	4,467,219	4,695,214	2,894,104	4,001,839	
	2. Liabilities with Bank Indonesia	-	-	-	-	-	-	
	3. Liabilities with Other Banks	6,097	259	503	762	1,524	3,049	
	4. Securities issued	-	-	-	-	-	-	
	5. Borrowings	7,829,198	-	1,005,399	933,228	1,648,471	4,242,100	
	6. Other Liabilities	1,345,322	757,898	231,087	181,907	31,507	142,923	
	7. Others	179,299	67,425	36,034	-	-	75,840	
	Total Liabilities	32,594,252	8,001,542	5,740,242	5,811,111	4,575,606	8,465,751	
	On Balance Sheet Assets and Liabilities Differences	(9,094,986)	3,367,207	661,208	(4,393,868)	(3,914,131)	(4,815,402)	
II OFF BALANCE SHEET								
A. Off Balance Sheet Receivables								
	1. Commitments	11,715,544	5,620,811	4,926,344	143,800	287,600	736,989	
	2. Contingencies	50,847	-	15,098	35,749	-	-	
	Total Off Balance Sheet Receivables	11,766,391	5,620,811	4,941,442	179,549	287,600	736,989	
B. Off Balance Sheet Payables								
	1. Commitments	15,513,604	4,719,703	4,695,573	2,612,659	2,171,855	1,313,814	
	2. Contingencies	254,541	21,843	35,001	81,693	109,389	6,615	
	Total Off Balance Sheet Payables	15,768,145	4,741,546	4,730,574	2,694,352	2,281,244	1,320,429	
	Off Balance Sheet Receivables and Payables Differences	(4,001,754)	879,265	210,868	(2,514,803)	(1,993,644)	(583,440)	
	Differences [(IA-IB)+(IIA-IIB)]	(13,096,740)	4,246,472	872,076	(6,908,671)	(5,907,775)	(5,398,842)	
	Cumulative Differences	(13,096,740)	4,246,472	5,118,548	(1,790,123)	(7,697,898)	(13,096,740)	

(Rp million)

	Balance	December 31, 2017				
		≤1 month	>1-3 months	>3-6 months	>6-12 months	>12 months
		(9)	(10)	(11)	(12)	(13)
	195,793	195,793	-	-	-	-
	4,432,557	3,132,383	982,450	317,724	-	-
	1,861,780	1,861,780	-	-	-	-
	5,979,794	1,868,598	681,672	234,704	321,875	2,872,945
	6,647,234	2,117,303	1,316,549	960,620	372,306	1,880,456
	1,260,178	263,603	584,509	262,429	96,316	53,321
	196,866	114,362	51,937	3,134	149	27,284
	20,574,202	9,553,822	3,617,117	1,778,611	790,646	4,834,006
	19,968,602	6,625,780	4,075,908	2,669,039	2,145,442	4,452,433
	-	-	-	-	-	-
	21,993	1,506	3,419	2,442	4,871	9,755
	41	41	-	-	-	-
	5,000,242	33,913	1,084,268	1,534,800	541,026	1,806,235
	1,219,150	271,053	562,102	223,606	96,302	66,087
	262,309	177,705	17,865	163	-	66,576
	26,472,337	7,109,998	5,743,562	4,430,050	2,787,641	6,401,086
	(5,898,135)	2,443,824	(2,126,445)	(2,651,439)	(1,996,995)	(1,567,080)
	8,450,884	7,765,915	361,913	69,805	27,135	226,116
	28,817	9,497	19,076	-	244	-
	8,479,701	7,775,412	380,989	69,805	27,379	226,116
	12,805,075	5,427,611	3,295,858	1,101,491	2,618,962	361,153
	200,175	54,379	19,089	59,602	57,608	9,497
	13,005,250	5,481,990	3,314,947	1,161,093	2,676,570	370,650
	(4,525,549)	2,293,422	(2,933,958)	(1,091,288)	(2,649,191)	(144,534)
	(10,423,684)	4,737,246	(5,060,403)	(3,742,727)	(4,646,186)	(1,711,614)
	(10,423,684)	4,737,246	(323,157)	(4,065,884)	(8,712,070)	(10,423,684)

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
1. <i>Rasio Intermediasi Makroprudensial</i> 2. Liquidity Coverage Ratio 3. Stress Test Maximum Cumulative Outflow	1. Rupiah exchange rate against the US Dollar 2. Inflation rate 3. Trade Balance 4. Credit Rating 5. 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 ORM framework, the Three Lines of Defense concept is applied, with the following description:

- Line of business and supporting units as the executor of the risk management process, 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.
- ORM division together with Information Risk Management (IRM) Division, and Compliance and Legal Division serve as the second layer of defense responsible for overseeing operational risk management in Danamon.
- 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 assess 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 is implemented in an integrated fashion, the process of which consists of identifying, assessing/measuring, monitoring, as well as controlling risk.

The process involves:

- a. Risk identification, which is used to identify and analyse 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, 2018			December 31, 2017		
		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	12,606,919	1,891,038	23,637,973	12,679,111	1,901,867	23,773,333
Total		12,606,919	1,891,038	23,637,973	12,679,111	1,901,867	23,773,333

1.b Quantitative Exposure of Operational Risks-Consolidated

(Rp million)

No	Indicator Approach	December 31, 2018			December 31, 2017		
		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	18,047,177	2,707,077	33,838,458	18,030,095	2,704,514	33,806,429
Total		18,047,177	2,707,077	33,838,458	18,030,095	2,704,514	33,806,429

- 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 controlling 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.

One of controlling function is by implementing 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.

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:

1. Risk and Loss Event recording
2. Key Risk Indicator monitoring
3. Risk Control Self Assessment
4. 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 managing the technology related risk, the IT Risk Management unit, refers and follows operational risk methodology and framework; 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 policies and processes 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 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:

1. Development of education material as part of e-learning for all Bank's employees
2. Delivering a sharing session to line of business and/or support function who need it
3. Providing an educational material and practical tips related to Information Security via all available communication channels.

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 classification of such information.

6). Business Continuity Management (BCM)

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:

1. 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 staffs through internal training, socialization to regions, workshops and email blasts.
2. 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:

1. 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.

2. The Bank and its Subsidiaries have adequate resources that may be required to support the recovery process under a crisis situation
3. Minimize the impact to the Bank and Subsidiaries under a crisis situation so services can continue to be provided to customers.
4. Minimize the reputation risk.
5. Improve the trust of the public and macro financial system to the Bank and its Subsidiaries.
6. Improve the Bank resiliency and recovery capacity.
7. 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 2018.



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.

E. Legal Risk

Legal risk arises from lawsuits or claims from customers or third parties through the courts or the outside court, caused either by internal or external parties and/or from weakness of juridical aspects of the Bank, including the absence and/or amendment of legal documents and laws or weaknesses in the legally binding documents. In the Risk Management Framework and in accordance with the prevailing regulations, legal risk is one of the important aspects which essentially aim 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 laws and litigation processes in the activities of Danamon and its subsidiaries.

7). Fraud

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 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.

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 relation to the 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 process of liquidation).

2). Policies and Legal Risk Management Procedures

Danamon already has a Legal Term Framework and Standard Operation 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 laws, adapted to the regulation of Financial Services Authority (OJK) and its implementation 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 information system. In the identification process, all business lines, support functions, and Danamon's subsidiaries need to identify and analyze the factors that can lead to the occurrence of legal risk in business lines, products, processes and information technology that have an impact on the Danamon's financial position and reputation. Identification of risk also includes legal risk assessments arising from operational activities, products, agreements, and inherent risks.

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

- Litigation factor.
- Weaknesses in Binding Commitments factor.
- Absence/ changes in laws factor.

In relation to the implementation of the legal risk management, Danamon has implemented the following:

- Implementation of legal risk monitoring by Danamon Senior Management (especially for high risk legal cases).
- Realization of Legal Term Framework and Standard Operation Procedure (SOP) of Legal Risk Management Implementation, which regulates the identification and mapping of legal risks including the mitigations and matrix parameters for the inherent risk and quality of legal risk management implementation.
- The establishment of working 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 possibility 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 line of business and support functions which also working closely with corporate planning strategy and investor relations division from CFO office 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 impact of external risk factors, including macroeconomic conditions, regulations, technology, target customers, competition, as well as the Bank's and subsidiaries' positioning in the banking/financial services 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.

- Strategy implementation monitoring, including the result of successful implementation of strategic risk, strategic projects, and impact of strategic decisions.

To assess the quality of strategic risk management, few factors which need to be considered 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 were well managed. In essence, Danamon and subsidiaries have a clear and well-defined vision and mission as well as a good organizational culture which 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 as well as new products to attract new customers and retain existing customers.

Despite improvements, economic factors will impact the achievement of the Bank's strategic plan. For that reason, Danamon and its subsidiaries continue to monitor several important 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 enhancing operational cost efficiency with the current business environment.

Competition in customer service directly affects the competition between companies in acquiring qualified Human Capital. Employee turnover and performance levels and multiple vacant positions in some divisions and subsidiaries is 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 capital to excel. Additionally, Danamon and its subsidiaries continue to improve employee 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 dynamic business environment.

G. Compliance Risk

Compliance risk is a risk due to the Bank does not comply with and/ or not implement the laws and regulations. Compliance risk generally arises from activities that deviate or violate the prevailing provisions or laws or standards.

Implementation of risk management for Compliance Risk is carried out to minimize the impact of compliance risk as early as possible.

In implementing risk management, in addition to paying attention to the compliance risk of the Bank individually, it also takes into account the compliance risk in an integrated manner with Subsidiaries in the Financial Conglomeration.

1). Compliance Risk Management Organization

The compliance risk management organization involves active supervision by the Board of Directors and the Board of Commissioners on compliance risk. To support the supervisory function, the Bank established the necessary committees, including Risk Monitoring Committee at the Board of Commissioners level and 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 functions in compliance risk management. The Board of Directors plays an active role in nurturing and realizing the implementation of compliance culture at all levels of the organization and business activities of the Bank. The Board of Directors ensures the implementation of compliance function and establishes the Compliance Working Unit.

The Bank appoints a Director in charge of the Compliance Function (Compliance Director) who has met the independency requirements and does not hold concurrent positions as prohibited by regulation. The Compliance Director plays an important role in compliance risk management by being responsible for implementing the compliance function at the Bank.

The Compliance Function is a series of preventive actions or measures (ex-ante) to ensure that the policies, provisions, systems and procedures, as well as business activities undertaken by the Bank are in accordance with the provisions of the Financial Services Authority and the statutory provisions, including sharia principles for sharia commercial banks and sharia business units, as well as to ensure the Bank's compliance with commitments made by the Bank to the Financial Services Authority and/ or other authorized supervisory authorities.

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

2). Strategy & Effectiveness of Compliance Risk Management

Compliance Risk Management is generally 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 potential sanctions (financial and non-financial) and reputation risk.

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

The Compliance Working Unit acts as the second line of defense.

3). Compliance Risk Management Implementation Procedures

Compliance risk management implementation is conducted through the process of risk identification, measurement, monitoring, and control. The process of identifying and measuring compliance risk is done through the assessment of Bank's policies, products, activities, fund provisioning and raising as well as 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 policies and activities as well as the fulfilment of Bank's commitments to the Financial Services Authority/ Bank Indonesia/ other authorized supervisory authorities, including the fulfilment of prudential principles of Bank and Subsidiaries.

Bank 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 unit who handle customer complaint, finance, treasury and unit who handle communication.

Consolidated reputation risk was handled by collaborated the risk team from Subsidiaries.

2). Policy and Mechanism of Reputation Risk Management

The policy and mechanism of reputation risk management always aligned to regulation that focus on:

- Negative news related to the owner of Danamon and/ or companies related to Danamon.
- Violation of common practices of business ethics/ norms.
- 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.
- The frequency, types of media, and materiality of negative publicity of Danamon, including its officials.
- 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 risk reputation management on crisis.

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 musarakah 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.

1). 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.

Sharia 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.

2). 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 Sharia Business Unit (UUS). The process of Return of Risk Management refers to the provisions of the OJK.

K. Intra-Group Transaction Risk

Intra-Group Transaction Risk is the risk due to the dependence of an entity either directly or indirectly to other entities in a Financial Conglomerate to fulfill a contractual obligation of written or unwritten agreement which followed by either transfer the fund or not.

1). Organization and Policy of Intra-Group Transaction Risk

Intra-Group Transaction Risk is managed by the Bank as the Main Entity and its Subsidiaries as the members of the Financial Conglomerate. The implementation of Intra-Group Transaction Risk Management is conducted by taking into account the transaction activities between entities within the Financial Conglomerate.

The Bank as the Main Entity governs the implementation of intra-group transaction risk management in the Intra-Group Transaction Policy that are periodically reviewed. The implementation of Intra-Group Transaction Risk Management is conducted through the process of risk identification, measurement, monitoring, and control, as well as the Management Information System.

2). Intra-Group Transaction Risk Management

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

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

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

Danamon has implemented the assessment for risk profile of intra-group transaction for the Financial Conglomerate that integrated with the Subsidiaries. The reporting of intra-group transaction risk management is prepared comprehensively and periodically to the management and regulator to monitor, assess and evaluate the risks continuously.

L. Insurance Risk

Insurance Risks are associated with insurance business practices and applications that may lead to financial loss.

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.

The implementation of Insurance Risk Management of the Financial Group is conducted in an integrated manner by the Insurance Company Subsidiary with supervision from the Main Entity.

1). Organization and Policy of Insurance Risk Management

Insurance risk is managed by Danamon's Insurance Subsidiary Company with supervision from Bank Danamon Indonesia as the main entity. The Insurance Subsidiary Company 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, Strategic Risk, Operational Risk, Asset & Liability Risk, Management Risk, Governance Risk, and Fund Support Risk.

In the implementation of risk management in insurance company the subsidiary has covered:

- Active supervision of directors, and commissioners.
- Ensure the adequacy of policies, procedures, and the determination of risk limits.
- Ensure the adequacy of the process of identification, measurement, monitoring, and risk control.
- Ensure the adequacy of risk management information systems.
- 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:

- Committees under the Board of Commissioners
 - Audit Committee
 - Risk Monitoring Committee
 - Nomination and Remuneration Committee
 - Investment Monitoring Committee
- 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.

- Identification
The Insurance Company Subsidiary is responsible to identify insurance risk which may arise from various insurance activities, including:

- Failure to control the risk accumulation that are catastrophic (such as earthquakes, floods, other natural disasters, and/or mass riots).
- Failure/ default of reinsurance company counterparty.
- Premiums and claims reserve.
- Insufficient price or premium rate.
- High loss ratio.
- Underwriting.
- Weaknesses in risk acceptance.
- Failure of recovery control on reinsurance claims.

b) Measurement

The Insurance Company Subsidiary is responsible for the measurement of insurance risk in its every products and activities.

To measure insurance risk, it must be considered the followings:

- Having written policy or procedure to conduct risk measurement, both quantitatively and qualitatively.
- Developing methodologies, models, or tools that are appropriate for that type of risk.
- Parameters that are used in measuring insurance risk in every insurance products/ activities include, but not limited to:
 - Claim ratio and loss ratio.
 - Underwriting surplus.
 - Insurance portfolio concentration.
 - Reserve adequacy.
 - Gross Written Premium (GWP) growth.
 - Reinsurance capacity

c) Monitoring

The Insurance Company Subsidiary is responsible to conduct monitoring of inherent insurance risk that includes the following:

- The Nature of Insurance Business
Monitoring and management of products, insurance period, and covered risk level.
- Portfolio Composition and Diversification
Monitoring and management of business diversification and market segmentation.
- Reinsurance Structure
Monitoring and management of reinsured risk portion, reinsurance types and programs, reinsurance company, and reinsurance concentration.

d) Control

Management of insurance risk control in the Insurance Company include:

- Officers and Management Understanding**
Advance understanding of issues of insurance risk and insurance risk monitoring.

- Product Design**
 Establish policies and procedures in product development, business line / type of product, the product approval process, the assessment of the risk of the product, product modification, the provisions of the policy (policy wording), and reinsurance requirements.
- Premium Setting**
 Establish policies and procedures in setting premiums, estimated claims (claims costs), the level of investment, assuming the costs and commissions, data quality of the risk profile, the rate of profit, market conditions and competitor analysis, reinsurance, the Review of premium rates, and changes in premium rates.
- Underwriting**
 Establish policies and underwriting procedures, the underwriting function structure, underwriting infrastructure, delegation of authority, underwriting manuals, compliance with policies and procedures, portfolio monitoring, data quality, and reinsurance consideration in the underwriting.
- Liabilities Valuation**
 Ensuring the availability of liabilities valuation reports, financial condition reporting, and data integrity.
- Reinsurance**
 Setting a reinsurance program structure, the structure function of reinsurance, reinsurance management, documentation reinsurance, and counterpart reinsurance companies.
- Claim**
 Establishes the claims handling function structure, policies and procedures of claims, claims handling process, human resources, systems and data quality, portfolio monitoring, claims leakage, reinsurance, and fraudulent claims.

- Product Distribution**
 Reviewing the choice of distribution channels, marketing systems and e-business, collaboration agreements, distribution of lines of conflict, commission structure, and mis-selling.
- Review from Independent Party**
 Having internal auditors and/ or external auditors opinion, and risk management oversight functions.

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.

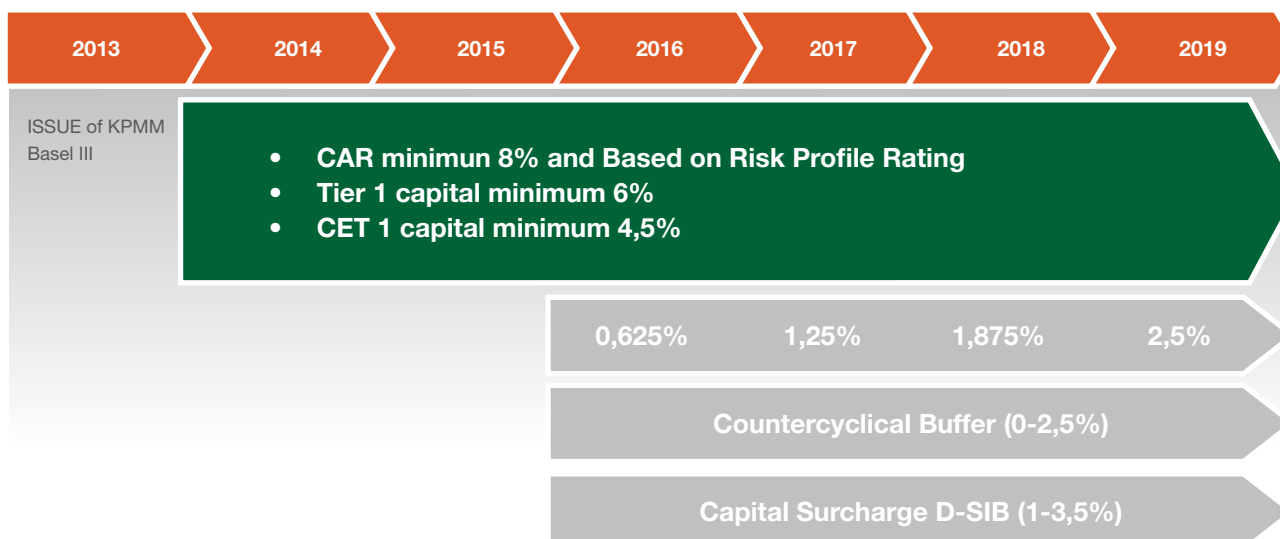
Effectiveness of insurance risk management implementation including the adequacy of policies and procedures are continually assessed and reviewed. Audit of Insurance Company is also conducted.

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

With regard to capital, BI and OJK have issued regulations related to the Minimum Capital Adequacy Requirement to support the implementation of Basel III in Indonesia.

The following is the phase of Danamon in implementing Basel III, in conjunction with the management of capital:



There are 3 (three) additional capital buffers that must be provided by the Bank since 2016, as follows:

- Capital Conservation Buffer, is an additional capital that serves as a buffer in the event of a loss during crisis condition, which is implemented in stages as follows:
 - i. 1 January 2018: 1,875% of RWA
 - ii. 1 January 2019: 2,5% of RWA

- Countercyclical Buffer, is an additional capital that serves as a buffer to anticipate losses in the event of excessive banking credit growth that has the potential to disrupt financial system stability.

The range of countercyclical buffer is between 0% - 2.5% of RWA. Based on the BI press release dated on November 15, 2018, the countercyclical buffer is still set at 0%.

- Capital Surcharge Buffer for Systemic Banks, is an additional capital that serves to reduce the negative impact on financial and economic system stability in the event of a Bank's failure that has a systemic impact through increasing the Bank's ability to absorb losses.

Capital Surcharge only applies to those Banks categorized as Systemic Bank, with additional buffer of 1% - 3.5% of RWA, depending on OJK's decision.

In terms of bank liquidity management, the application of Liquidity Coverage Ratio is based on Financial Services Authority (POJK) Regulation 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 30 June, 2016 with an initial minimum ratio of 70%, became 90% in year 2018, and will increase to 100% by December 31, 2018. LCR aspects related to calculation, implementation period, reporting, and publication refers to the above POJK. In the calculation aspect, Bank has implemented LCR calculation in daily basis starting October 2017, therefore all monthly and quarterly reports in 2018 has been using daily average calculation in accordance to the prevailing 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 (POJK) Regulation 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.

RISK APPETITE

Risk Appetite is the amount of risk that is prepared to take / tolerate in the pursuit of its business objectives. The objective of setting Risk Appetite is not to limit risk taking but to establish transparency and ensure that the risk profile is aligned to its business strategy.

Bank has set the Group and Management Risk Appetite with approval from Board of Commissioners and Directors, including cascading the Risk Appetite 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 which 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, Financial Services Authority (OJK) has issued a regulatory requirement, No. 14/POJK/2017 for Systemic Banks in Indonesia to develop, review 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 reviewed Recovery Plan in 2018 that complies with the applicable regulations. The update of Recovery Plan has been approved by President Director, President Commissioner, and Controlling Shareholders, and has been submitted to OJK.

The Bank's Recovery Plan covers the following:

1) Overview of the Bank

Bank has assessed the contribution of each line of business and Subsidiary from both quantitative (i.e. profit, funding and loan book) and qualitative perspectives in order to identify the materiality of line of business and Subsidiaries, including the Bank's office network. The result of this assessment will be used by the Bank as a reference in determining line of business, subsidiary, and office network that need to be maintained when the financial conditions stress occurs.

The Bank has also 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 outcome of the scenario analysis indicates that the Bank has a resilient capital position, which is unlikely to threaten the going concern of the Bank.

2) Recovery Option

Bank implements a traffic light system for the implementation of the Recovery Plan with clearly established thresholds as triggers for three phases of recovery plan, namely green as "Preventive", yellow as "Recovery" and red as "Corrective".

Bank has also identified various recovery options for each phase and assessed these options 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.

3) Disclosure of Recovery Plan

Due to the highly confidential nature of certain sections of the recovery plan (e.g. detailed recovery options and strategies), therefore the disclosure of Recovery Plan of the Bank shall be on a need-to-know basis only, where the different degrees of disclosure will apply for different parties. The Bank discloses the Recovery Plan to both internal and external parties as per applicable regulations.

The Bank has developed Recovery Plan Policy that regulates the governance of Recovery Plan where the Crisis Management Protocol Working Group (CMPWG) becomes a special committee that will be activated by BOD to supervise the implementation of the recovery plan and other matters related to the implementation of the recovery plan, especially in the "Recovery" and "Corrective" phases. In carrying out its duties, CMPWG will be supported by the Recovery Planning Team (RPT).

The Recovery Plan Policy also regulates the processes and duties and responsibilities of each party in the development, monitoring and implementation of the Recovery Plan. The Bank monitors the Recovery Plan indicators on a monthly basis and it

will be reported to the Directors through the Risk Management Committee if there are indicators that had already violated or potentially may violate the "Recovery" or "Corrective" phase.

RISK MANAGEMENT ACTIVITY PLAN IN 2019

Indonesia's economy in 2019 is expected to be slightly better compared to 2018 at 5.18% growth. Domestic consumption is expected to still be the driver of the economy supported by contained inflation and government's stimulus in the form of larger social transfer and village fund. Consumption may also be held up by election spending this year.

Yet, global uncertainty remains high as the trade war debacle and tighter global monetary condition will start to bring impact to the global economy.

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

- Rupiah this year may still face by global volatility as uncertainty remains high. The risk of tighter monetary condition looks to be milder as world central banks are faced with the threat of economic slowdown. Yet, the risk of trade war-led slowdown seems bigger especially on China and the US, the world's largest economies which would dominate the world trade. Declining global demand could be negative for our exports which would be a risk to the currency.
- Room for fuel price adjustment this year is still open, with the wider disparity of domestic and international oil price. Yet, the adjustment may not be large since the volatility of oil price this year is expected to be minimal. Therefore we expect the inflation rate to slightly increase to 4.3%.
- Despite the increase, inflation rate will still be in the range of BI's target at 2.5-4.5%, thus the direction of BI's benchmark rate will depend mostly on the currency. BI is expected to maintain hawkish stance throughout the year and could raise the interest rate (BI 7D Reverse Repo Rate) by another 75bps to 6.75%.
- Commodity price could fluctuate in line with the growing sentiment of global economic slowdown. Slowing global demand could put pressure on our main commodity export prices i.e. Coal and CPO. For CPO there may be some support from the government's Bio-20 program. However, slowing global demand may not bode so well with Coal price this 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 2019, 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) Implement the activities related to Sustainable Finance as written in the Sustainable Finance Action Plan that have been submitted to OJK.
- i) Implement ICAAP framework

2) Credit Risk Management

- a) Review the credit policies periodically
- b) Monitor credit portfolio of all lines of business and subsidiaries regularly, compare the actual performance against target, and escalate to management if there is any indication of portfolio performance worsening.
- c) To continue the system implementation of Credit Risk Internal Ratings Model and scorecard for all Lines of Business gradually, such as the system implementation of retail scorecard for SME (Small and Medium Enterprise Credit) and Mortgage (Housing Loan). To enhance the Scorecard model system using RBE (Rule Based Engine) for Credit Cards and Unsecured Personal Loan Line of Business
- d) Use Standard Approach for Credit Risk Weighted Asset calculations.

- e) Perform periodically rating model scorecard evaluation
- f) Conduct bank-wide stress testing at least once a year. Stress testing is conducted should there be 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 IFRS 9 model implementation in preparation to calculate CKPN / Expected Credit Loss (ECL) that comply with IFRS 9 rules.
- i) Implement Internal Ratings 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.

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 Academy 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 CyberSecurity 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) Implementation of Interest Rate Risk in the Banking Book (IRRBB) measurement in compliance with OJK regulation.

Human Resources

Sustainable transformation was the overall theme for 2018. For Human Capital (HC), this was a critical point in preparing and managing employees' capabilities and mindset to always create added value throughout the Company's operations and business activities.



HUMAN CAPITAL MANAGEMENT

Sustainable transformation was the overall theme for 2018. For Human Capital (HC), this was a critical point in preparing and managing employees' capabilities and mindset to always create added value throughout the Company's operations and business activities.

Competition to acquire and retain talent is an opportunity and a challenge, as the Company seeks to continuously adapt and deliver in line with growth in both business and technology. The Company nurtures its talents under the principle of "employees as assets".

Danamon's commitment to offer the best to its employees is delivered in many ways. In 2018, we intensified digitalization of our HC management system, which encompasses manpower

planning, recruitment, performance management, and learning and development. In addition, Danamon improved workforce planning, upgraded human capital quality, and increased employee engagement levels throughout the Bank and its units.

To facilitate a shared direction toward sustainable transformation among employees, HC management assists the Bank in redefining its core values. These values are a reflection of the Bank's ambition, spirit and character, which are summed up the Indonesian acronym BISA Collaboration, Integrity, Customer-centric and Adaptive.

HC MANAGEMENT VISION AND MISSION

The Vision of HC for Danamon to become the employer of choice, well-recognized as a high-performing organization and a place for career advancement. To make this vision a reality, HC's

Mission is to provide customer-focused human capital management, solutions and services, supported by innovations targeting excellence in performance.

Danamon's mid-term 2016 - 2020 HC strategic objectives strive to continuously improve the quality of HC management practices to provide a positive experience for all employees.

2018 Improving	2019 Excelling & Sustaining	2020 Agile & Enabling Organization	2021 Sustainable High Performing Culture
Bring the basics to the next level with quality and efficiency on par with leading market practices	Institutionalize the HC process to sustain a high-performance organization	Adapt to an ever-changing working environment, leveraging latest HC technology	Partner of Choice in people and technology (people related) optimization
<ul style="list-style-type: none"> Fully integrated HC system/platform Leveraged by social media and digital capability Cultivate culture to drive a high-performance organization Enhancing Danamon Corporate University Well-recognized business partners 	<ul style="list-style-type: none"> Data analytics driven by HC practices/decisions High agility, responsive and transparent culture Competitive organization Sustainable meritocracy-based performance High-performance human capital 	<ul style="list-style-type: none"> Proven Employee Value Proposition (EVP) High value-added organization 	<ul style="list-style-type: none"> Leveraging automation to create value and meaningful work (beyond organization) Dynamic working environment leveraging communication and coordination tools

HC MANAGEMENT POLICY

After integrating and updating Danamon's HC Policy in 2017, the HC Directorate followed up in 2018 by reviewing the policy. This ensured all company provisions are in line with the development of Danamon's business, improving workflow processes in line with the implementation of the new HC System and ensuring the policy is in line with the Collective Labor Agreement for the period of 1 August 2018 – 31 July 2020.

Improvements and updates were also made to the Operational Reference Framework (KAO) and the Standard Operating Procedure (SOP).

In addition, the HC Directorate conducts an annual review of the Code of Ethics to ensure it accommodates all regulatory changes and internal developments, including any potential manpower issues. The Code of Ethics is disseminated to employees each year and is supported by a statement of acknowledgement.

The Merit-based Rewards System (SIPASTI) remains a key policy for performance management. Its primary goal is to consistently monitor and improve employee performance. Financial rewards are positioned as an outcome of good performance and not as a primary goal.

Danamon will focus more attention on job rotation among experienced employees in order to fulfill internal manpower needs. This is backed by a policy that allows employees with good performance records

who have held a certain position for at least three years to be transferred to other working units commensurate to their expertise. This job rotation is the right of all employees, as well as a form of career development, whereby employees fulfilling requirements may apply for rotation by notifying their supervisor, without necessarily seeking approval.

HC MANAGEMENT PERFORMANCE

Employer Branding

Danamon is well aware that strong employer branding is conducive for building a quality workforce. The current workforce, dominated by the millennial generation, is known to be selective in choosing workplaces with good reputations. Therefore, the Company conducts various initiatives to strengthen employer branding.

Externally, Danamon is constantly active on various social media platforms, such as Instagram and LinkedIn, to complement internal employees' activities such as D'Talk, Financial Literacy, accelerated programs for fresh graduates, and cooperation with universities and corporate social responsibility (CSR) activities. In July 2018, Danamon celebrated its 62nd anniversary, with the theme Danamon Play62ound, featuring events with Danamon employees in Greater Jakarta and various regions.

As an impact of good employer branding, Danamon has hosted many interns from local and international universities. It has also forged partnerships with those universities to provide opportunities for their students to learn about banking sector activities.

Internally, Danamon conducts its #SerunyadiDanamon (Fun at Danamon) campaign in the form of email blasts to all employees, encouraging them to join knowledge-sharing sessions, sporting, religious, social and environmental events, and other activities. The Company also publishes a bi-monthly internal magazine called 'Spirit', containing articles on Danamon's activities and initiatives.

Recruitment

In 2018, Danamon has continued to follow and improve the best practices in recruitment initiatives, including:

1. Online psychometric testing for candidate selection during mass recruitment. Further use of this test is planned in 2019 to support the recruitment of candidates for Danamon Bankers Training and other evergreen positions.
2. Big data analysis to examine the main factors behind resignations.
3. Recruitment Process Outsourcing (RPO), initially used for recruiting evergreen positions in Jakarta. Results showed improvements, so in fourth quarter of 2018, the initiative was implemented in regional offices such as Medan, Semarang and Surabaya.

Another recruitment development was implementation of the HC Management System, which initiates and monitors all recruitment requisitions. This allows the recruiting manager of each unit to monitor recruitment progress online.

Staff Recruited Based on Job Level (Consolidated)

Job Level	2018	2017	2016
Top Management	3	3	3
Senior Manager	40	38	37
Manager	212	247	136
Officer	1,339	1,385	1,173
Staff	4,503	5,705	9,159
Total	6,097	7,378	10,508

Job Function	2018	2017	2016
Sales	1,716	3,389	4,892
Non-Sales	4,381	3,989	5,616
Total	6,097	7,378	10,508

Training and Competence/Education Development

Danamon provides ongoing training and development programs for its employees. In 2018, the Company delivered technical and leadership skills development programs for 128,399 participants totaling 80,049 mandays at Danamon and Danamon Corporate University training centers.

In 2018, Danamon enrolled 1,884 of its employees in Risk Management Certification (SMR) training, refresher courses and subsequent examinations.

As part of talent development at the senior management level, Danamon collaborates with INSEAD business school to hold the Danamon Executive Education Program (DEEP). The program covers Leadership and Business Management, Leading Transformation Change, Business Projects and Business Simulation. The program strengthens the Bank's benchstrength, preparing leaders to take on more challenging roles and responsibility.

HC has established the Danamon Bankers Trainee (DBT) program for the most talented Bachelors and Masters graduates to prepare them to become future leaders of Danamon. Up to the end of 2018, there have been three batches with a total of 64 participants. In order to accelerate the capabilities of frontliners, Danamon runs the Danamon Development Program (DDP) for Operations, and the Sales and Distribution Development Trainee Program (S&D DP). The two programs trained a total of 201 participants in 2018.

Since 2016, Danamon has reduced employee training costs. With the introduction of e-learning, training expenditures have declined significantly, while the number of training recipients throughout the Bank's network has increased.

The downward trend in the cost of training is projected to continue.

E-Learning enables employees to access training materials anywhere and anytime via their own personal mobile device and network through the EAZY Learning system. This is already a direct cost-saving for the Company, while the mobile access allows employees to be more efficient with their working hours by spending less time on e-Learning.

Danamon invested Rp182 billion in 2018 on training, both in-class and e-Learning, tailored to the various needs of employee.

In 2018, Danamon achieved a training ratio of 6.80%, well above BI regulations, which stipulate a minimum training ratio of 5%. The total number of employees involved in-class and e-Learning was 11,830 out of 12,442 employees (95.1%). Danamon will continuously facilitate and invest in its employees' skill development through in-class and/or e-Learning programs.

Training Program Statistics

Training Programs	2018	2017	2016
Total Training Programs	1,232	1,411	3,109
Number of Training Participants	128,399	164,554	207,739
Total Man-Days	80,049	139,637	167,428
Total Training Investment (Rp Million)	182,701	235,517	248,355
Average Investment Per Employee (Rp Million)	1.42	1.43	1.20

Employee Engagement

During 2018, employees were engaged through the following series of programs:

1. D'Talk

D'Talk is a face-to-face sharing session that involves Bank Danamon leaders and prominent external speakers discussing trending topics such as leadership, entrepreneurship, digital technology, fast-moving consumer goods, etc. These sessions allow employees to broaden their horizons beyond the workplace, providing them with skills and insight regarding the latest developments in the market.

2. Leadership Chat

Leadership chat is a sharing session through EAZY Chat social media, developed for internal use at Danamon. These sessions allow Danamon employees all over Indonesia to ask questions and discuss issues with senior management and directors.

3. Financial Literacy

The Program development and deployment was a collaboration effort between Danamon, Adira Finance and Adira Insurance, to equip employee with practical financial skills. Throughout this program, it is expected that employees can be more knowledgeable in anticipating and managing their financial needs. Danamon Adira Financial Literacy session were delivered across their regional offices to provide an opportunity for employees to understand their group's product and benefits, including awareness on the group's approach in attending the customer needs. Not only through in-class sessions, the program was also available online through internal platform called EAZY.

Organizational Development

Over the last four years, Danamon has been conducting bankwide transformation initiatives. There have been changes to organizational structure, job transfers, merging of positions, branch closures, streamlining processes and automation.

Evaluation and restructuring of Danamon's organizational framework are essential for maintaining internal equity and market competitiveness. In Q4 2018, HC started a job simplification and competency project with a 'job family approach'.

The project's objectives are:

1. Bring the strategy and culture of SIPASTI to life by explaining how critical 'job families' should perform to provide a seamless experience for customers.
2. Create a job framework that simplifies and structures the organization, jobs and levels, while remaining flexible to adapt to future organizational changes.
3. To become the foundation for managers and HC to take control and shape a nimbler organization, as well as align policies to create a better experience for employees.

By creating transparency, employees will be empowered to take control of their careers and become more proactive.

Performance Management

In September 2017, Danamon introduced a new online performance management system under the EAZY platform. This greatly assisted employees and their supervisors in setting objectives and achieving transparency. A 'cascade' function allows supervisors to pass work targets to their subordinates.

Moreover, the availability of a continuous performance management module, accessible through personal communication devices, enables supervisors to more easily monitor and record work achievements. This new system has made the process of achieving objectives more focused and planned, so that execution and achievement are immediately and easily communicated between subordinate and supervisor.

These changes to the system have made employees more objective-focused in their work attitudes and behavior. Should any employee struggle to achieve work targets, the system can immediately detect this, and their respective supervisor can take immediate action to coach the employee.

Development of Talent Management and Employee Careers

Talent management is important for HC. Our comprehensive and sustainable talent management program aims to ensure the availability and readiness of future leaders to hold key positions within the Company.

The program begins with the identification and mapping of talent using two criteria: performance and potential. An assessment and talent review identify and manage high-performing employees within the Company to advance according to their individual expertise. The program aims to increase employee engagement through their own initiative, both bankwide and within their respective divisions. The program also implements succession planning, ensuring Company sustainability by preparing high-performing candidates to become prospective leaders.

The Management Trainee Program and Development Program were established to cultivate talent within the Company. These programs aim to nurture future leaders by strengthening their banking knowledge and by systematically job-rotating them in order to accelerate their skills progression.

To accomplish this strategy, HC is devising a career advancement system to improve employees' competency through training in soft skills, technical skills, and tiered leadership. This Leadership Program includes people management skills for first tier, middle management skills, and leadership skills for senior managers. With enhanced skills, employees have a higher probability of success in more challenging assignments.

In developing internal benchstrength, Danamon in 2018 conducted a one-year senior management talent program known as Danamon Executive Education Program (DEEP). In collaboration with INSEAD business school, the program

focuses on developing senior talent in Leadership and Business Management, Leading Transformation Change, Business Project Management and Business Simulation.

A talent management program supported by EASY-based systems was also conducted in 2018, followed by a Succession Plan and Development Plan (SCDP) module that will run in January 2019.

Employee Remuneration

Danamon's remuneration policy follows the meritocracy principle, whereby the Company rewards competence and performance. This strategy is part of the SIPASTI principle and has been consistently implemented since 2015 through short-term and long-term financial and non-financial incentives.

Employee remuneration is categorized by fixed components based on position level, job category, position scarcity in the market, as well as market benchmarks and variable components of bonuses and incentives. Bonuses are awarded based on the Company's achievement of targets, industry benchmarks, operating unit achievements, and individual achievements. Incentives are given to positions that directly generate revenue, such as salespersons and bill collectors, and are designed to increase motivation and shape effective sales or billing behavior. With a fair and balanced compensation system, the Company looks forward to building a productive working environment as well as motivating employees to achieve more through their work.

In 2019, the Company will review remuneration of employees by considering changes in organizational design based on the job simplification project that commenced in Q4 2018.

Employee Welfare

In addition to providing government health insurance (BPJS) and pension plan (JHT) benefits, Danamon provides additional health insurance, pension funds and housing loans (KPR) for its employees. The motor vehicle facility is a Car Ownership Cash Program (COCP), in which eligible employees receive a cash allowance paid in conjunction with their monthly salary.

In 2018, Danamon collaborated with Adira Finance and Adira Insurance to run a financing and insurance program, known as Danamon Adira Employee Program (DAEP), designed to benefit both Danamon and Adira employees. Through this program, employees are eligible to apply for motor vehicle loans, home appliance loans, and various types of insurance at rates and premiums lower than commercial ones.

On August 28, 2018, Danamon presented long service awards in recognition of employees with 10, 15, 20, 25, 30 and 35 years of employment with the Company. There were 435 recipients of the awards.

Pension

Danamon's pension plan is in accordance with prevailing government regulations. Danamon provides retiring employees with a counseling workshop to enable them to be better prepared

during retirement. Topics include retirement activities, as well as mental and financial preparation.

Management Level Employee Turnover

In 2018, Danamon's regretted turnover (people who resigned whom the Bank would have liked to have kept) reached 1,013 personnel (7.1%) of the full year number of employees. This is better than the 2017 figure of 1,132 personnel (7.2%). Most of the regretted turnover in 2018 was among employees with 3 to 5 years of work tenure. This trend is similar in many other companies. It has been attributed to the propensity of the millennial workforce to move from one job to another, and to be more enterprising in trying alternative jobs

To minimize regretted turnover, Danamon has continued training programs to improve managerial skills of first level and middle level managers. The training programs have been crafted to accommodate the shifting of the workforce from Generation X to Generation Y (millennials). Leadership approaches have also been adjusted in line with this generational change.

HC Management Information System

In 2018, Danamon fully implemented its HC Management System, which had been introduced in 2017.

The highlight of this new system is that employees can easily access it from any location, unlike the previous system, which required access from the office. The system's "software as a service" mechanism facilitates system maintenance, freeing the Bank from the hassle of performing routine software updates. The system also gives the Bank access to the best practices of human capital management.

Various developments will continue to enhance and optimize the benefits of using the system in accordance with Danamon's development and strategies.

Risk Management

The HC Directorate implemented the Integrated Risk Directorate's work unit to improve the classification of risk types in the Risk Control Self Assessment (RCSA) system. This initiative has been used to record risk events and findings from internal audit trials in HC.

The HC team regularly communicates the development of risk incidents and improvement initiatives to the Operational Risk Management unit under the Integrated Risk Directorate.

Risk management is also strengthened by informing employees of the importance of understanding and applying the Code of Ethics. Awareness is raised via email blasts, text messages, a Code of Ethics instructional video, and discussions in work units. The purpose of this is to reduce risks arising from employees' ignorance of the Human Capital Policy and the applicable Code of Ethics.

Industrial Relations

A strong Industrial Relations policy is essential for Danamon to ensure business continuity, to create a favorable working environment, to instill employees' pride, and to foster a good public reputation. The development of harmonious industrial relations is a measure of ensuring improved working conditions, productivity, competitiveness, and work quality. A solid industrial relations framework is also an indicator of Good Corporate Governance for Danamon.

Danamon's management consistently strives to build constructive communication and consolidation regarding expectations put forward by the Danamon Labor Union. As part of this effort, management met with the Labor Union in September and October 2018. There are now two official labor unions in Danamon. The Bank welcomes the presence of the additional union and hopes it can strengthen industrial relations

A decision to renew Danamon's Collective Labor Agreement (CLA) was reached on 27 July 2018 after successful negotiations between management and the Labor Union. It is effective from 1 August 2018 to 31 July 2020. The CLA is registered with the Ministry of Manpower, signifying its legality. In line with the CLA, Danamon has fulfilled welfare improvements for employees.

Primary Personnel Demographic Data

From 2014–2018, Danamon has undertaken numerous initiatives to improve its business performance. These measures have resulted in some changes to the business model and manpower numbers. Reductions in staff numbers occurred almost evenly across all levels of the organization, with the exception of Top Management and Technical Advisor level. The largest percentage of staff reductions occurred at the Officer level due to company transformation and work efficiency processes.

Danamon Headcount Data as of December 2018 (Consolidated)

Company	2018	2017	2016
Danamon	12,442	16,811	22,832
Adira Finance	19,028	18,760	20,094
Adira Quantum	-	-	8
Adira Insurance	759	839	1,085
Total	32,299	36,410	44,019

Danamon Headcount Data as of December 2018 (Consolidated)

Position	2018	2017	2016
Top Management & Technical Advisor	26	24	27
Senior Manager	329	340	378
Manager	3,192	3,376	3,108
Officer	9,640	11,369	12,487
Staffs	19,112	21,301	28,019
Total	32,299	36,410	44,019

Employee Composition Based on Employment Tenure (Consolidated)

Employment Tenure	2018	2017	2016
0-3 years	10,975	11,213	13,872
3-5 years	3,230	3,757	6,770
5-10 years	10,179	12,998	14,700
10-20 years	5,554	5,883	6,562
>20 years	2,361	2,649	2,115
Total	32,299	36,410	44,019

The largest staff reductions occurred among those with employment tenure of between 3 to 5 years. Specific courses of action and employee engagement are required to improve this matter.

The percentage of employees with undergraduate and postgraduate education has risen over the last five years. This indicates the educational quality of Danamon's HC has improved.

The segment of employees under 25 years of age increased due to millennials filling entry-level positions.

Employee Composition by Age (Consolidated)

Age	2018	2017	2016
<25 years	3,218	2,603	3,912
25-34 years	16,189	19,252	25,120
35-44 years	9,533	11,340	11,875
>45 years	3,359	3,215	3,112
Total	32,299	36,410	44,019

Employee Composition by Academic Background (Consolidated)

Academic Background	2018	2017	2016
Postgraduate	415	461	438
Bachelor	22,159	24,733	29,137
Diploma	6,037	6,932	8,399
High School	3,680	4,272	6,022
Junior High/Elementary	8	12	23
Total	32,299	36,410	44,019

Employee Composition Based on Employment Status (Consolidated)

Employment Status	2018	2017	2016
Permanent ¹⁾	26,389	29,596	31,950
Non Permanent ²⁾	5,910	6,814	12,069
Total	32,299	36,410	44,019

Notes:

- 1) Permanent employees include permanent employees and employees on probation.
- 2) Non Permanent Employees include contract workers, trainees, those on honorariums and expatriates. Data does not include outsourced employees.

2019 Human Capital Strategy and Work Plan

The HC strategy and work plan for 2019 refers to the Bank's main agenda, which focuses on the application of digital technology to optimize work processes, and collaboration with MUFG as the new shareholder to develop business networks and organizational capabilities.

HC applies digital technology by providing online convenience for job applicants and employees. Job applicants can obtain employment information through the Danamon portal, and the job application process will be facilitated via Danamon's careers website. Various training programs have also been prepared to help staff become more efficient.

In terms of collaboration with MUFG, Danamon will participate in MUFG's global program of talent development at the group level. Through this program, Danamon employees will participate in various development and assignment programs involving all business units within MUFG Group. Danamon and MUFG will also prepare an employee exchange program to improve learning and strengthen organizational capabilities.

Information Technology



“Information technology aims to simplify customer digital transactions and services. Security continues to be crucial as we respond to technological advancements.”

Danamon continuously updates its technology solutions, keeping pace with the rapid advancement of information technology (IT) advancements, especially in the financial services industry. This allows us to provide more convenient and attractive services to our customers.

The main focus of Danamon's IT Division is to simplify and reduce processing time, so our customers enjoy a better banking experience. We are harnessing the power of digitalization to create more effective and efficient processes.

Digital transactions must be highly secured against the increasing threat of cybercrime. Thus, Danamon implements the latest security measures to protect customers. The development of IT in Danamon is also crucial to support the sustainable growth of the Bank and its subsidiaries.

INITIATIVES AND PERFORMANCE 2018

The IT Division continued to streamline customer transactions throughout 2018, implementing several initiatives. These included

development of applications, such as a digital customer service channel, a central application programming interface, big data analytics, infrastructure enhancements, and other digital apps.

The Bank is also designing and setting up infrastructure for Omni Channel, our digital multichannel services.

System Enhancements And Digital Strategy

The IT Division continues to develop digital services to enhance customer interaction through our D-Bank and Omni Channel platforms.

To further develop Supply Chain Ecosystem, Danamon launched D-BisMart, which is a closed-loop supply chain mobile application that serves commercial transactions (ordering and invoicing) and cashless settlement between distributor and retailers. This solution will help seller and retailer in making, buying and selling activities seamless and convenient, which is also inline with OJK objectives moving towards cashless payments.

- Corporate Data
- Corporate Social Responsibility
- Good Corporate Governance
- Operational Review
- Management Discussion and Analysis
- Company Profile
- Management Report
- Main Highlights

We launched API (Application Programming Interface) Central to collaborate with Danamon's digital partners in fintech and e-commerce.

Danamon continues to replace its older Automated Teller Machines (ATMs) and Cash Deposit Machines (CDMs) to increase and improve transaction services. We have also improved security levels of ATMs and CDMs.

We have implemented a Customer Relationship Management (CRM) software system to provide a complete, single view of each customer's relationship and interactions with the Bank, allowing us to better know and serve our customers.

The IT Division introduced Bond System to enhance the customer experience in purchases and sales of bonds.

We also carried out host-to-host integration with the Integrated and Computerized Hajj Information System (Sistem Informasi dan Komputerisasi Haji Terpadu, SISKOHAT) to help Muslim customers save funds for the pilgrimage to Mecca.

As part of ongoing efforts to improve efficiency, the IT Division is implementing Robotic Process Automation (RPA), initially focusing on replacing back office manual processes.

Infrastructure enhancements

The IT Division has increased its capacity to continue the journey of migrating from physical to virtual servers and recently has replaced our network server farm with the new one. Danamon has completed relocation of its Data Center to new location that meet Tier-4 standards – the most advanced type of data center.

Big data analytics

Big data management and analytics has become an essential tool for innovation, customer support, risk management and decision-making support in the banking sector. Danamon has continued to align data from source systems (i.e. core banking) to build data analytics for downstream system, integrated with external data, either by batch and real-time data.

Furthermore, the capability of automated machine learning platform have been used to generate analytics modeling in such areas as customer services, fraud and risk assessment.

We have also implemented Fraud Detection within our Big Data for ATM and Debit Card fraud cases and will continue to enhance in 2019 for e-channel transactions.

As part of data governance in our Big Data, we have completed data quality and data stewardship phase which will allow us to go further for Master Data Management.

IT security

The IT Division is implementing a Cloud Access Security Broker (CASB) to enhance the security of cloud-based applications used by Danamon. It is also implementing Virtual Patch solutions for Windows-based servers to handle all the latest patches.

IT organization and skills

Agility – the capacity to react to change – is essential for dealing with evolving technologies and market conditions. In order to improve productivity, coordination, and support for operational agility, the IT Division is implementing Agile Collaboration Tools.

The division is also developing methodologies and processes for DevOps – a combination of software development (Dev) with information technology operations (Ops). This system aims to build an environment where we can develop, test and launch software programs or features with greater precision, speed and quality.

Risk management and compliance

The IT Division is implementing an Early Warning System for detection of high-risk customer credit data and to protect the bank from possible losses.

As part of compliance with national regulations, Danamon has implemented the Financial Services Authority's (OJK) Financial Services Information System (SLIK) for regulatory reporting.

Disaster management

Danamon has disaster management processes and solutions to anticipate and respond to unforeseeable events, with the objective of ensuring that services remain accessible to customers at all times. In line with Business Continuity Management (BCM) rules and guidelines, Danamon has established necessary measures to ensure uninterrupted customer service.

Human resources

As part of its strategy to deliver the best digital service to customers, Danamon is focused on developing talent with the right skill sets. The Bank regularly conducts IT training courses to ensure employees are equipped with the latest skills. It also invites the country's top IT graduates to join Danamon.

Regulation, compliance, and information technology governance

IT Steering Committee meetings are held regularly to review and approve IT projects and to ensure alignment with the Bank's strategy.

Strategy and initiatives 2019

Danamon's IT Division has devised a number of strategies and initiatives for 2019 to support the Bank's business activities.

System enhancements and digital strategy

The IT Division remains focused on developing digital services to enhance customer interaction across all channels. We will continue to improve our products and services through these channels.

Micro-service technology is being developed to align digital services and electronic channels, and support the development of internal and external integration solutions (host-to-host). Redesigning the enterprise service bus (ESB) middleware layer from the previous monolithic architecture (a one-piece software structure) into more modern micro-services architecture is expected to improve system performance and scalability.

We will continue ATM and CDM migration to new switching solutions as part of the strategy to improve ATM services.

API Central will be used to collaborate with digital partners and participate in Indonesia's digital ecosystems. We will continue to work with our Business Division to explore partnerships with fintech companies.

We will develop and implement a chatbot – an online tool for automated interactive conversations with users – to provide more interaction and services for customers.

The IT Division will assess the Bank's Treasury System software to determine if an upgrade is required to further support development of the Treasury and Capital Market Division's products.

The CRM System will continue to be expanded to wholesale and SME businesses.

IT, operational and business process automation will all be assisted through implementation of Robotic Process Automation (RPA) and Business Process Management (BPM).

Infrastructure enhancements

The IT Division will conduct several infrastructure enhancements in 2019. We will continue to migrate from physical to virtual servers. We will implement an IT framework that tightly integrates data storage, computing, virtualization and networking into a single platform to reduce complexity and increase scalability and performance (hyperconverged), also an operating system virtualization method for running applications more efficiently (containerization). This will support digital initiatives to optimize system performance, ensuring flexibility and cost efficiency.

We will also implement cloud-based unified communication using Microsoft Office 365 to support a faster, flexible, mobile and modern way of working.

We will use cloud services from third party cloud providers to support the transformation process in infrastructure and achieve flexibility in the operational process and cost efficiency. Data and system security will be paramount when developing applications to be used in the cloud environment.

Big data analytics

The IT Division will continue to develop Data Governance with

Master Data Management capability to effectively govern the data integrity and data security. We will also assess Advance Analytics to enable data scientists to adopt artificial intelligence and machine learning.

IT security

We will implement Database Activity Monitoring to improve security capabilities, monitor abnormal activities and provide database systems with audit capabilities. Then, to prevent the Bank's information assets from circulating freely on the internet, we will implement a system for monitoring the activities of third parties that work with Danamon.

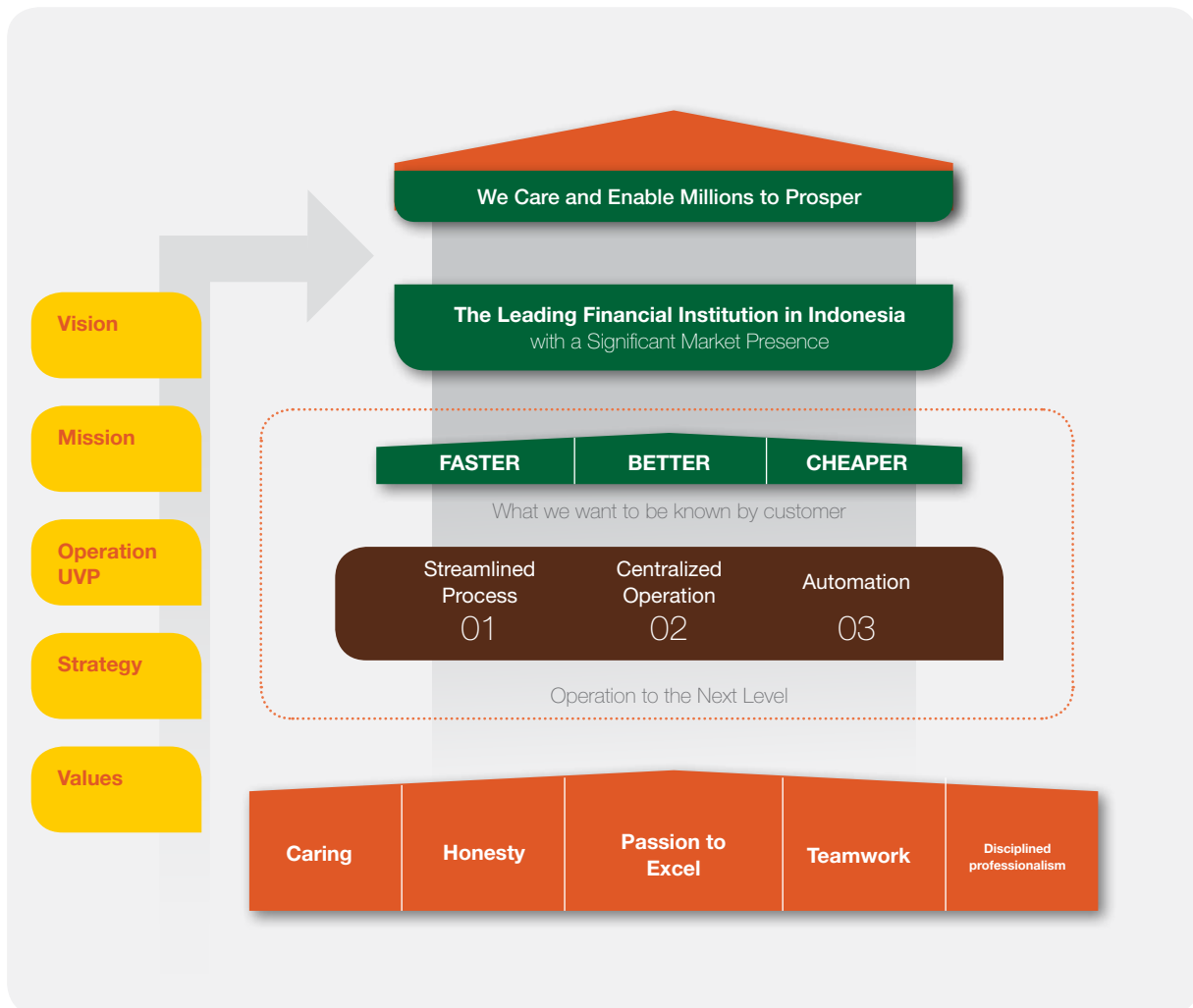
IT organization and skills

As part of efforts to enhance digital solutions, the IT Division harmonized the work methods of IT teams with hybrid IT work patterns. This has improved collaboration between IT units when running projects, while also improving agility for better results.

Risk management and regulatory compliance

As part of compliance with BI/OJK regulations, IT will upgrade and develop regulatory applications as required.

Operations



Danamon continues to take its operational activities to the next level with streamlined processes, centralized operations, synergy across lines of business, and the utilization of alternative e-channels

Danamon's Operations Unit is in charge of supporting the Bank's business growth. Danamon in 2018 continued to evaluate and restructure its operational activities to enhance efficiency.

In order to meet challenges and to fulfill customer needs for quality banking products and services, Danamon implements strategic business policies and initiatives. The Bank continues to improve its operations to enhance customer experiences.

Danamon's Operations Unit continues to transform. This is in line with the Bank's strategy to develop efficiency-oriented operational procedures, improved customer experiences, and sustainable growth. These measures comprise a unique value proposition, focused on three service attributes: faster, better and cheaper.

PERFORMANCE IN 2018

In 2018, Danamon's Operations Unit continued to focus on digital transformation, while also improving the competence and quality of resources. In doing so, manual input was minimized and back office workload and processes were reduced.

Utilizing automated and integrated systems, Danamon's Operations Unit improved straight-through processing and enhanced support systems for better compliance, control, and good corporate governance.

In line with the Bank's business plan, the Operations Unit continued to transform into a business partner geared toward the digital era.

By the end of the fiscal year, almost all plans had been successfully implemented. This was due to the commitment of a reliable management and operational team. In monitoring the transformation process, the operational team utilized 4DX (4 Disciplines of Execution) tools to ensure that transformations were meticulous.

Strategies in the operational transformation were as follows:

1. Reorganization of the operational structure that separates innovation from operational development and daily business activities, so as to accelerate transformation.
2. Formulation of a lean operational model that aims to provide better operational services and digitalization through automation, shared services, and human capital management so that a faster, better and more cost-effective performance could be maintained.
3. Enhancement of human resources capability to create a High Performing Team.
4. Reinforcement of strategic initiatives for business advancement related to office network optimization (closure, relocation, and establishment of branch offices).
5. Collaborated with the Transformation Management Officer (TMO) team to implement Operation Transformation projects, including restructuring, re-engineering and automation.

In addition, to achieving faster, better and more efficient operational processes, the Operations Unit undertook various strategic initiatives in 2018. These initiatives included streamlining, consolidating and improving the end-to-end credit process.

Re-engineering and improvement of various operational processes among others, increase automation of reconciliations, automation of User ID Management System, and digital imaging of documents.

Danamon also optimized document imaging through the Document Management System (DMS) that has been applied to Centralized Document Collateral Processing (CDCP), Trade, and Signature Verification units.

Danamon is aware of the importance of improving human resources quality in order to sustain operational excellence. The Operations Unit undertook the following initiatives to improve employee capabilities:

1. Re-launched the Operation Development Program (ODP) to prepare future leaders for Bank Danamon operations.
2. Implemented the Upskilling program for all operational staff at Head Office, mainly for transactional processes.
3. Devised E-Learning for Control, Loan Module and Payment Operations.

AWARDS AND RECOGNITION IN 2018

Danamon's achievements were recognized by the following awards:

1. Warta Ekonomi
Indonesia's Top Performing Mutual Fund & Consumer Choice Award for Best Performance in the Custodian Bank category.
2. Marketing Research Indonesia:
Third place out of nine banks for Branch & E-Channel Category Award.
3. Bony Mellon:
STP Award presented in recognition of Your Outstanding Payment Formatting and Straight-Through Rate.
4. JP Morgan:
 - Elite Quality Recognition Award for Outstanding Achievement of Best in Class with STP Rating of
 - Elite Quality Recognition Award for Outstanding Achievement of Best in Class with STP Rating of 99.96% MT 202. 99.33% MT – 103.

2019 PLAN

In 2019, Danamon will continue its sustainable transformation toward digitalization and automation of operational processes. Therefore, the Bank will benefit from faster, better, and more efficient operations.

Operations in 2019 will continue the focus on streamlining processes, and implementing further automation in certain areas. Strategic plans to be developed and implemented in 2019 are as follows:

1. To enhance incorporate operational loan services into an integrated system, from limit provision up to loan disbursement and documentation.
2. To continuously identify and implement control improvements and process automation.
3. To increase the usage of the Digital Management System.
4. To support the National Non-Cash Movement through the Cashless Payment System.
5. To increase automation of reconciliation process.

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