

PT BANK CENTRAL ASIA Tbk  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018 AND 2017

**DIRECTOR'S STATEMENT  
REGARDING  
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED  
31 DECEMBER 2018**

**PT BANK CENTRAL ASIA Tbk AND SUBSIDIARIES**

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We, the undersigned:

- |                |   |
|----------------|---|
| 1. Name        | : Jahja Setiaatmadja  |
| Office Address | : Menara BCA Grand Indonesia<br>Jl. M.H. Thamrin No. 1, Jakarta 10310                       |
| Home Address   | : Jl. Metro Kencana V/6 RT 001 RW 015,<br>Pondok Pinang, Kebayoran Lama,<br>Jakarta Selatan |
| Phone Number   | : (021) 2358-8000   |
| Title          | : President Director  |
|                |   |
| 2. Name        | : Vera Eve Lim  |
| Office Address | : Menara BCA Grand Indonesia<br>Jl. M.H. Thamrin No. 1, Jakarta 10310                       |
| Home Address   | : Teluk Gong Raya Blk C.4/20,<br>Pejagalan, Penjaringan<br>Jakarta Utara                    |
| Phone Number   | : (021) 2358-8000   |
| Title          | : Director  |

declare that:

1. We are responsible for the preparation and the presentation of the consolidated financial statements of PT Bank Central Asia Tbk (the "Bank") and Subsidiaries;
2. The consolidated financial statements of the Bank and Subsidiaries has been prepared and presented in accordance with Indonesian Financial Accounting Standards;
3. a. All information has been fully and correctly disclosed in the consolidated financial statements of the Bank and Subsidiaries; and  
b. The consolidated financial statements of the Bank and Subsidiaries do not contain false material information or facts, nor do they omit material information or facts;
4. We are responsible for the Bank and Subsidiaries' internal control system.

This statement has been made truthfully.

Jakarta, 11 February 2019

For and on behalf of the Board of Directors



Jahja Setiaatmadja  
President Director

Vera Eve Lim  
Director

**PT BANK CENTRAL ASIA TBK**

Head Office : Menara BCA Grand Indonesia, Jl. M. H. Thamrin No. 1 Jakarta 10310 Tel. (021) 2358-8000 Fax. (021) 2358-8300



**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF**

**PT BANK CENTRAL ASIA Tbk**

We have audited the accompanying consolidated financial statements of PT Bank Central Asia Tbk (the "Bank") and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Bank Central Asia Tbk and its subsidiaries as of 31 December 2018, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

JAKARTA  
11 February 2019

**Lucy Luciana Suhenda, S.E., Ak., CPA**  
*License of Public Accountant No. AP.0229*

***Kantor Akuntan Publik Tanudiredja, Wibisana, Rintis & Rekan***

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	31 December	
		2018	2017
<b>ASSETS</b>			
Cash	2b,2g,4,37,40,43	21,691,443	16,754,289
Current accounts with Bank Indonesia	2b,2g,2i,5,37,40,43	43,548,309	43,472,752
Current accounts with other banks	2b,2g,2i,6,37,40,43	8,497,938	9,093,572
Placements with Bank Indonesia and other banks	2b,2g,2j,7,37,40,43	31,682,811	18,969,682
Financial assets held for trading	2g,2k,8,37,40,43	5,841,824	6,015,302
Acceptance receivables - net of allowance for impairment losses of Rp 335,850 as of 31 December 2018 (31 December 2017: Rp 416,642)	2g,2l,9,37,40,43	11,582,285	9,899,426
Bills receivable - net of allowance for impairment losses of Rp 5,674 as of 31 December 2018 (31 December 2017: Rp 4,822)	2g,10,37,40,43	8,600,709	6,614,355
Securities purchased under agreements to resell - net of allowance for impairment losses of nil as of 31 December 2018 (31 December 2017: Rp 2,859)	2g,2n,11,37,43	9,212,684	9,258,767
Loans receivable - net of allowance for impairment losses of Rp 13,568,986 as of 31 December 2018 (31 December 2017: Rp 13,243,869) Related parties Third parties	2g,2m,12,37,40,43, 2ak,47	3,213,328 521,317,134	3,568,627 450,696,329
Consumer financing receivables - net of allowance for impairment losses of Rp 364,028 as of 31 December 2018 (31 December 2017: Rp 377,520)	2g,2o,13,37,43	7,613,709	8,506,983
Investment in finance leases - net of allowance for impairment losses of Rp 3,619 as of 31 December 2018 (31 December 2017: Rp 1,943)	2g,2p,37,43	174,212	181,427
Assets related to sharia transactions - net of allowance for impairment losses of Rp 75,732 as of 31 December 2018 (31 December 2017: Rp 64,773)	2q	4,824,013	4,126,329
Investment securities - net of allowance for impairment losses of Rp 91,458 as of 31 December 20178 (31 December 2017: Rp 520,301)	2g,2r,14,37,40,43	109,080,663	131,091,163
Prepaid expenses Related parties Third parties	2ak,15,47,51	224,409 1,149,582	237,807 1,048,287
Prepaid tax	20a,51	6,663	38
Fixed assets - net of accumulated depreciation of Rp 10,115,889 as of 31 December 2018 (31 December 2017: Rp 9,080,471)	2h,2s,16	19,336,901	16,868,949
Intangible assets - net of accumulated amortisation of Rp 1,103,604 as of 31 December 2018 (31 December 2017: Rp 689,518)	2e, 2u,17,51	679,331	869,138
Deferred tax assets - net	2ai,20h	3,147,666	3,219,241
Other assets - net of allowance for impairment losses of Rp 10,401 as of 31 December 2018 (31 December 2017: Rp 9,966) Related parties Third parties	2h,2t,2ak, 18,40,43,47,51	8,036 13,354,294	7,581 9,819,627
<b>TOTAL ASSETS</b>		<b>824,787,944</b>	<b>750,319,671</b>

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	31 December	
		2018	2017
<b>LIABILITIES, TEMPORARY SYIRKAH DEPOSITS, AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from customers	2g,2v,19,37,40, 43		
Related parties	2ak,47	2,489,190	3,290,867
Third parties		627,322,827	577,824,575
Sharia deposits	2w	621,315	478,698
Deposits from other banks	2g,2v,19,37,40, 43	6,494,491	5,758,414
Financial liabilities held for trading	2g,2k,8,37,40, 43	188,934	53,843
Acceptance payables	2g,2l,9,37,40, 43	5,843,486	5,800,477
Securities sold under agreements to repurchase	2g,2n,14,37,40, 43	48,111	96,225
Debt securities issued	2g,2y,21,37,43	239,735	610,499
Tax payable	2ai,20b,51	1,165,336	551,130
Borrowings	2g,22,37,40,43	2,093,475	3,040,602
Accrued expenses and other liabilities	2g,2ab,23,40,43, 51	15,025,822	10,928,649
Post-employment benefits obligation	2ah,38	6,406,057	6,506,283
Subordinated bonds	2g,2z,24,37,43	500,000	-
<b>TOTAL LIABILITIES</b>		<b>668,438,779</b>	<b>614,940,262</b>
<b>TEMPORARY SYIRKAH DEPOSITS</b>	2x	<b>4,595,738</b>	<b>3,977,715</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent entity</b>			
Share capital - par value per share of Rp 62.50 (full amount)			
Authorised capital: 88,000,000,000 shares			
Issued and fully paid-up capital: 24,655,010,000 shares	1c,25	1,540,938	1,540,938
Additional paid-in capital	1c,2e,2ad,26	5,548,977	5,548,977
Revaluation surplus of fixed assets	2s,16	8,751,748	6,587,497
Foreign exchange differences arising from translation of financial statements in foreign currency	2f	380,422	352,100
Unrealised (losses) gains on available-for-sale financial assets - net	2g,2r,7,14	(132,647)	1,274,336
Retained earnings			
Appropriated	36	1,697,052	1,463,952
Unappropriated	2ah	133,871,809	114,534,370
Other equity components	2e	1,385	1,385
<b>Total equity attributable to equity holders of the parent entity</b>		<b>151,659,684</b>	<b>131,303,555</b>
<b>Non-controlling interest</b>	1d,2e,46	<b>93,743</b>	<b>98,139</b>
<b>TOTAL EQUITY</b>		<b>151,753,427</b>	<b>131,401,694</b>
<b>TOTAL LIABILITIES, TEMPORARY SYIRKAH DEPOSITS, AND EQUITY</b>		<b>824,787,944</b>	<b>750,319,671</b>

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>OPERATING INCOME AND EXPENSES</b>			
Interest and sharia income	2ae,2ak,28,47		
Interest income		56,181,959	53,270,785
Sharia income		584,841	497,154
Total interest and sharia income		56,766,800	53,767,939
Interest and sharia expense	2ae,2ak,29,47		
Interest expense		(11,218,960)	(11,702,213)
Sharia expense		(257,295)	(239,252)
Total interest and sharia expense		(11,476,255)	(11,941,465)
<b>NET INTEREST AND SHARIA INCOME</b>		45,290,545	41,826,474
<b>OTHER OPERATING INCOME</b>			
Fee and commission income - net	2af,30	11,996,340	10,385,838
Net trading income	2ag,31	2,807,349	1,803,541
Others		2,939,986	2,965,830
Total other operating income		17,743,675	15,155,209
Impairment losses on assets	2g,32	(2,676,602)	(2,632,619)
<b>OTHER OPERATING EXPENSES</b>			
Personnel expenses	2ah,2ak,33,38,47	(12,143,106)	(11,335,155)
General and administrative expenses	2ak,16,34,47	(13,026,592)	(12,305,650)
Others		(2,481,856)	(1,549,516)
Total other operating expenses		(27,651,554)	(25,190,321)
<b>INCOME BEFORE TAX</b>		32,706,064	29,158,743
<b>INCOME TAX EXPENSE</b>	2ai,20c	(6,854,404)	(5,837,593)
<b>NET INCOME</b>		25,851,660	23,321,150
<b>OTHER COMPREHENSIVE INCOME:</b>			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	2ah,38	409,898	(850,232)
Income tax	2ai	(284,061)	212,936
		125,837	(637,296)
Revaluation surplus of fixed assets	2s,16	2,164,251	(4,330)
		2,290,088	(641,626)
Items that will be reclassified to profit or loss:			
Unrealised (losses) gains on available-for-sale financial assets	2j,2r,7,14	(1,864,674)	1,874,674
Income tax	2ai	456,639	(467,401)
Unrealised (losses) gains on available-for-sale financial assets - net of tax		(1,408,035)	1,407,273
Foreign exchange differences arising from translation of financial statements in foreign currency	2f	28,322	(1,823)
Others		-	(9,233)
		(1,379,713)	1,396,217
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>		910,375	754,591
<b>TOTAL COMPREHENSIVE INCOME (Carried forward)</b>		26,762,035	24,075,741

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL COMPREHENSIVE INCOME (Brought forward)</b>		26,762,035	24,075,741
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Equity holders of parent entity		25,855,154	23,309,994
Non-controlling interest	2e,46	(3,494)	11,156
		<u>25,851,660</u>	<u>23,321,150</u>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity holders of parent entity		26,766,431	24,063,606
Non-controlling interest	2e,46	(4,396)	12,135
		<u>26,762,035</u>	<u>24,075,741</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY (full amount of Rupiah)</b>	2ac,35	<u>1,049</u>	<u>945</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

		2018										
		Attributable to equity holders of the parent entity										
Notes	Issued and fully paid-up capital	Additional paid-in capital	Revaluation surplus of fixed assets	Foreign exchange differences arising from translation of financial statements in foreign currency	Unrealised (losses) gains on available-for-sale financial assets - net	Retained earnings		Other equity components	Total equity attributable to equity holders of the parent entity	Non-controlling interest	Total equity	
						Appropriated	Unappropriated					
<b>Balance, 31 December 2017</b>		1,540,938	5,548,977	6,587,497	352,100	1,274,336	1,463,952	114,534,370	1,385	131,303,555	98,139	131,401,694
Net income for the year		-	-	-	-	-	-	25,855,154	-	25,855,154	(3,494)	25,851,660
Revaluation surplus of fixed assets	2s,16	-	-	2,164,251	-	-	-	-	-	2,164,251	-	2,164,251
Foreign exchange differences arising from translation of financial statements in foreign currency	2f	-	-	-	28,322	-	-	-	-	28,322	-	28,322
Unrealised (losses) gains on available-for-sale financial assets - net	2j,2r,7,14	-	-	-	-	(1,406,983)	-	-	-	(1,406,983)	(1,052)	(1,408,035)
Remeasurements of defined benefit liability - net	38	-	-	-	-	-	-	125,687	-	125,687	150	125,837
Other equity components		-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	2,164,251	28,322	(1,406,983)	-	25,980,841	-	26,766,431	(4,396)	26,762,035
General reserve	36	-	-	-	-	-	233,100	(233,100)	-	-	-	-
Cash dividends	36	-	-	-	-	-	-	(6,410,302)	-	(6,410,302)	-	(6,410,302)
<b>Balance, 31 December 2018</b>		<b>1,540,938</b>	<b>5,548,977</b>	<b>8,751,748</b>	<b>380,422</b>	<b>(132,647)</b>	<b>1,697,052</b>	<b>133,871,809</b>	<b>1,385</b>	<b>151,659,684</b>	<b>93,743</b>	<b>151,753,427</b>

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED 31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

	2017											
	Attributable to equity holders of the parent entity											
	Notes	Issued and fully paid-up capital	Additional paid-in capital	Revaluation surplus of fixed assets	Foreign exchange differences arising from translation of financial statements in foreign currency	Unrealised (losses) gains on available-for-sale financial assets - net	Retained earnings		Other equity components	Total equity attributable to equity holders of the parent entity	Non-controlling interest	Total equity
							Appropriated	Unappropriated				
<b>Balance, 31 December 2016</b>		1,540,938	5,564,552	6,591,827	353,923	(131,961)	1,257,895	97,245,285	10,618	112,433,077	281,982	112,715,059
Net income for the year		-	-	-	-	-	-	23,309,994	-	23,309,994	11,156	23,321,150
Revaluation surplus of fixed assets	2s,16	-	-	(4,330)	-	-	-	-	-	(4,330)	-	(4,330)
Foreign exchange differences arising from translation of financial statements in foreign currency	2f	-	-	-	(1,823)	-	-	-	-	(1,823)	-	(1,823)
Unrealised gains (losses) on available-for-sale financial assets - net	2j,2r,7,14	-	-	-	-	1,406,297	-	-	-	1,406,297	976	1,407,273
Remeasurements of defined benefit liability - net	38	-	-	-	-	-	-	(637,299)	-	(637,299)	3	(637,296)
Other equity components		-	-	-	-	-	-	-	(9,233)	(9,233)	-	(9,233)
<b>Total comprehensive income for the year</b>		-	-	(4,330)	(1,823)	1,406,297	-	22,672,695	(9,233)	24,063,606	12,135	24,075,741
Difference on transaction amount from business combination of entity under common control	2e,26	-	(15,575)	-	-	-	-	-	-	(15,575)	-	(15,575)
General reserve	36	-	-	-	-	-	206,057	(206,057)	-	-	-	-
Cash dividends	36	-	-	-	-	-	-	(5,177,553)	-	(5,177,553)	-	(5,177,553)
Increase in non-controlling interest due to additional share capital payment	1d,41	-	-	-	-	-	-	-	-	-	30,000	30,000
Changes in non-controlling interest due to acquisition of Subsidiaries	2e,41	-	-	-	-	-	-	-	-	-	(225,978)	(225,978)
<b>Balance, 31 December 2017</b>		<b>1,540,938</b>	<b>5,548,977</b>	<b>6,587,497</b>	<b>352,100</b>	<b>1,274,336</b>	<b>1,463,952</b>	<b>114,534,370</b>	<b>1,385</b>	<b>131,303,555</b>	<b>98,139</b>	<b>131,401,694</b>

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts of interest and sharia income, fees and commissions		67,188,173	62,896,141
Other operating income		3,105,023	2,554,654
Payments of interest and sharia expenses, fees and commissions		(11,364,783)	(11,900,029)
Payments of post-employment benefits	38	(675,161)	(1,488,730)
Gain from foreign exchange transactions - net		(402,658)	200,959
Other operating expenses		(24,574,455)	(22,390,235)
Payment of tantiem to Board of Commissioners and Board of Directors	36	(354,950)	(308,114)
Other increases/decreases affecting cash:			
Placements with Bank Indonesia and other banks - mature more than 3 (three) months from the date of acquisition		2,975,091	(549,529)
Financial assets held for trading		1,449,674	(522,860)
Acceptance receivables		(1,602,067)	(2,970,148)
Bills receivable		(1,760,866)	(2,759,868)
Securities purchased under agreements to resell		48,942	(6,712,029)
Loans receivable		(71,291,269)	(52,854,462)
Consumer financing receivables		606,838	(635,341)
Investments in finance leases - net		5,446	(19,526)
Assets related to sharia transactions		(824,972)	(817,728)
Other assets		(3,205,118)	(2,500,050)
Deposits from customers		46,025,884	50,981,817
Sharia deposits		142,617	113,943
Deposits from other banks		647,637	857,472
Acceptance payables		43,009	1,613,329
Accruals and other liabilities		4,126,653	2,136,940
Temporary <i>syirkah</i> deposits		618,023	510,708
<b>Net cash provided by operating activities before income tax</b>		<b>10,926,711</b>	<b>15,437,314</b>
Payment of income tax		(6,014,149)	(5,778,687)
<b>Net cash provided by operating activities</b>		<b>4,912,562</b>	<b>9,658,627</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investment securities		(80,019,462)	(90,070,128)
Proceeds from sales of investment securities		115,679	35,500
Proceeds from investment securities that matured during the year		102,856,627	70,914,740
Cash dividends received from investment in shares		11,640	1,025
Acquisition of fixed assets		(2,347,223)	(1,736,651)
Proceeds from sale of fixed assets		10,393	505,430
Acquisition of Subsidiaries from non-controlling		-	(269,936)
<b>Net cash provided by (used in) investing activities</b>		<b>20,627,654</b>	<b>(20,620,020)</b>

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from subordinated bonds		500,000	-
Payment of debt securities issued		(370,764)	(1,721,672)
Proceeds from borrowings		66,872,390	81,151,092
Payment of borrowings		(67,830,206)	(80,899,042)
Payment of cash dividends	36	(6,410,302)	(5,177,553)
Increase in securities sold under agreements to repurchase		1,460,662	1,702,049
Decrease in securities sold under agreements to repurchase		(1,519,429)	(1,740,572)
Additional capital injection to Subsidiaries	46	-	30,000
<b>Net cash used in financing activities</b>		<b>(7,297,649)</b>	<b>(6,655,698)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>18,242,567</b>	<b>(17,617,091)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		<b>83,377,439</b>	<b>100,319,853</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS</b>		<b>1,691,554</b>	<b>674,677</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		<b>103,311,560</b>	<b>83,377,439</b>
<b>Cash and cash equivalents consist of:</b>			
Cash	4	21,691,443	16,754,289
Current accounts with Bank Indonesia	5	43,548,309	43,472,752
Current accounts with other banks	6	8,497,938	9,093,572
Placements with Bank Indonesia and other banks - mature within 3 (three) months or less from the date of acquisition	7	29,573,870	14,056,826
<b>Total cash and cash equivalents</b>		<b>103,311,560</b>	<b>83,377,439</b>

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL**

**a. Establishment and general information of the Bank**

PT Bank Central Asia Tbk (the “Bank”) was established in the Republic of Indonesia based on the Notary Deed No. 38 of Raden Mas Soeprapto dated 10 August 1955 under the name of “N.V. Perseroan Dagang Dan Industrie Semarang Knitting Factory”. This deed of establishment was approved by the Minister of Justice in its decision letter No. J.A.5/89/19 dated 10 October 1955 and was published in Supplement No. 595 to State Gazette of the Republic of Indonesia No. 62 dated 3 August 1956. The name of the Bank has been changed several times with the latest change became PT Bank Central Asia based on the Notary Deed No. 144 of Wargio Suhardjo, S.H., the substitute of notary public Ridwan Suselo, dated 21 May 1974.

The Bank’s Articles of Association have been amended several times, including amendments in relation to the Initial Public Offering of the Bank’s shares in May 2000, which among others, changed its status to a publicly-listed company and its name to PT Bank Central Asia Tbk. These amendments were made based on Notary Deed No. 62 of Hendra Karyadi, S.H., dated 29 December 1999, which was approved by the Minister of Justice in its decision letter No. C-21020 HT.01.04.TH.99 dated 31 December 1999 and published in Supplement No. 1871 to the State Gazette of the Republic of Indonesia No. 30 dated 14 April 2000.

The amendment made in relation to the issuance of new shares under the Management Stock Option Plan (“MSOP”), for which the options were exercised up to 31 December 2006, was made based on Notary Deed No. 1 of Hendra Karyadi, S.H., dated 9 January 2007. This deed was approved by the Minister of Justice and Human Rights under its decision letter No. W7-HT.01.04-797 dated 18 January 2007 and published in Supplement No. 185 to the State Gazette of the Republic of Indonesia No. 15 dated 20 February 2007.

The latest amendment to all articles in the Bank’s Articles of Association was made based on Notary Deed No. 125 of Dr. Irawan Soerodjo, S.H., Msi. dated 18 April 2018. This deed was approved by the Minister of Justice and Human Rights in its decision letter No. AHU-AH.01.03-0153848 dated 18 April 2018.

The Bank started its commercial operations in the banking business since 12 October 1956. According to Article 3 of the Bank’s Articles of Association, the Bank operates as a commercial bank. The Bank is engaged in banking activities and other financial services in accordance with the prevailing regulations in Indonesia. The Bank obtained its license to conduct these activities under the Minister of Finance Decision Letter No. 42855/U.M.II dated 14 March 1957. The Bank obtained its license to engage in foreign exchange activities based on the Directors of Bank Indonesia Decision Letter No. 9/110/Kep/Dir/UD dated 28 March 1977.

The Bank is domiciled in Jakarta with its head office located at Jalan M.H. Thamrin No. 1. As of 31 December 2018 and 2017, the number of branches and representative offices owned by the Bank was as follows:

	<u>2018</u>	<u>2017</u>
Domestic branches	1,002	992
Overseas representative offices	<u>2</u>	<u>2</u>
	<u>1,004</u>	<u>994</u>

The domestic branches are located in major business centers all over Indonesia. The overseas representative offices are located in Hong Kong and Singapore.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)****b. Recapitalisation**

Based on the Indonesian Bank Restructuring Agency (“IBRA”) Decision Letter No. 19/BPPN/1998 dated 28 May 1998, IBRA took over the operations and management of the Bank. Accordingly, the Bank’s status was changed into a Bank Taken Over (“BTO”). The Bank was determined as a participant of the bank recapitalisation program under the Minister of Finance and the Governor of Bank Indonesia joint decision No. 117/KMK.017/1999 and No. 31/15/KEP/GBI dated 26 March 1999 regarding the implementation of the bank recapitalisation program for Bank Taken Over.

In conjunction with the recapitalisation program, on 28 May 1999 the Bank received a payment of Rp 60,877,000 from the Government of the Republic of Indonesia. This amount consisted of (i) the principal amount of loans granted to affiliated companies that were transferred to IBRA (consisting of Rp 47,751,000 transferred effectively on 21 September 1998 and Rp 4,975,000 transferred effectively on 26 April 1999), and (ii) accrued interest on the loans granted to affiliated companies calculated from their respective effective transfer dates up to 30 April 1999, amounted to Rp 8,771,000, minus (iii) the excess of outstanding Liquidity Support from Bank Indonesia (including interest) amounted to Rp 29,100,000 over the recapitalisation payment from the government through IBRA of Rp 28,480,000. On the same date, the Bank used such proceeds to purchase newly issued government bonds of Rp 60,877,000 (consisted of fixed-rate government bonds amounted to Rp 2,752,000 and variable-rate government bonds amounted to Rp 58,125,000 through Bank Indonesia).

Pursuant to the Chairman of IBRA Decision Letter No. SK-501/BPPN/0400 dated 25 April 2000, IBRA returned the Bank to Bank Indonesia effective on that date. To fulfill the requirement of Bank Indonesia Regulation (“PBI”) No. 2/11/PBI/2000 dated 31 March 2000, Bank Indonesia announced in its press release Peng. No. 2/4/Bgub dated 28 April 2000, that the recovery program including the restructuring of the Bank had been completed and the Bank had been returned to be under the supervision of Bank Indonesia.

**c. Public offering of the Bank’s shares and subordinated bonds**Public Offering of the Bank’s Shares

Based on the Letter of the Chairman of the Capital Market Supervisory Agency No. S-1037/PM/2000 dated 11 May 2000, the Bank through an Initial Public Offering, offered its 662,400,000 shares with total par value of Rp 331,200 (offering price of Rp 1,400 (full amount) per share), which represents 22% (twenty two percent) of the issued and paid-up share capital, as part of the divestment of shares owned by the Republic of Indonesia as represented by IBRA. This public offering was registered at the Jakarta Stock Exchange and the Surabaya Stock Exchange on 31 May 2000 (both exchanges have been merged and now named the Indonesia Stock Exchange).

The Bank’s shareholders through the Extraordinary General Meeting of Shareholders (“EGMS”) held on 12 April 2001 (with the minutes prepared by Notary Public Hendra Karyadi, S.H., in Deed No. 25) resolved to conduct a stock split from Rp 500 (full amount) per share to Rp 250 (full amount) per share and to increase the issued shares through the issuance of 147,199,300 shares (or equivalent to 294,398,600 shares after the stock split) under the Management Stock Option Plan (“MSOP”). The stock split was made under the Notary Deed No. 30 of Hendra Karyadi, S.H., dated 12 April 2001, which was approved by the Minister of Justice and Human Rights on 18 April 2001.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)****c. Public offering of the Bank's shares and subordinated bonds (continued)**Public Offering of the Bank's Shares (continued)

Based on the Letter of the Chairman of the Capital Market Supervisory Agency No. S-1611/PM/2001 dated 29 June 2001, the Bank offered additional 588,800,000 shares with total par value of Rp 147,200 (at an offering price of Rp 900 (full amount) per share), which represents 10% (ten percent) of the issued and paid-up share capital, as part of the divestment of shares owned by the Republic of Indonesia as represented by IBRA. This public offering was registered at the Jakarta Stock Exchange and the Surabaya Stock Exchange on 10 July 2001.

The Bank's shareholders through the Annual General Meeting of Shareholders ("AGMS") held on 6 May 2004 (with the minutes prepared by Notary Public Hendra Karyadi, S.H., in Deed No. 16) approved the stock split from Rp 250 (full amount) per share to Rp 125 (full amount) per share. The stock split was made under the Notary Deed No. 40 of Hendra Karyadi, S.H., dated 18 May 2004, which was approved by the Minister of Justice and Human Rights on 26 May 2004.

EGMS held on 26 May 2005 (with the minutes prepared by Notary Public Hendra Karyadi, S.H., in Deed No. 42) approved the buy back of the Bank's shares, provided that the buy back of shares has been approved by Bank Indonesia, whereby the number of shares to be bought back should not exceed 5% (five percent) of the Bank's total issued shares as of 31 December 2004, i.e. in total of 615,160,675 shares, and total fund to buy back the shares should not exceed Rp 2,153,060. With Letter No. 7/7/DPwB2/PwB24/Rahasia dated 16 November 2005, Bank Indonesia expressed no objection on the Bank's plan to buy back its shares.

EGMS held on 15 May 2007 (with the minutes prepared by notary public Hendra Karyadi, S.H., in the Deed No. 6) approved the buy back of the Bank's shares stage II, provided that the buy back of shares has been approved by Bank Indonesia and executed from time to time during the period of 18 (eighteen) months after the date of the meeting, whereby the number of shares to be bought back should not exceed 1% (one percent) of the Bank's total issued shares as of 27 April 2007 or in total of 123,275,050 shares and the total fund to buy back the shares should not exceed Rp 678,013. With Letter No. 9/160/DPB 3/TPB 3-2 dated 11 October 2007, the Bank has received an approval from Bank Indonesia in relation to buy back of shares stage II.

EGMS held on 28 November 2007 (with the minutes prepared by Notary Public Hendra Karyadi, S.H., in Deed No. 33), approved to conduct a stock split of the Bank's shares from Rp 125 (full amount) to Rp 62.50 (full amount) per share and therefore decided to amend note 1, note 2 and note 3 of Article 4 of the Bank's Articles of Association. The Amendments of the Bank's Articles of Association by the Deed of Notary Public Hendra Karyadi, S.H., dated 11 December 2007 were received and recorded by the Department of Law and Human Rights of the Republic of Indonesia by the Receipt Report of the Deed on Amendment of the Articles of Association No. AHU-AH.01.10-0247 dated 3 January 2008.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)****c. Public offering of the Bank's shares and subordinated bonds (continued)**Public Offering of the Bank's Shares (continued)

Based on Letter No. 038/IQ-ECM/LTR/HFJ/XI/2008.TRIM dated 26 November 2008, the buy back of shares stage II for the period of 11 February 2008 to 13 November 2008 had been performed with the number of shares bought back in total of 397,562 lot or 198,781,000 shares at the average acquisition cost of Rp 3,106.88 (full amount) per share. Therefore, the total shares bought back as of 13 November 2008 were 289,767,000 shares with a total amount of Rp 808,585.

On 7 August 2012, the Bank sold 90,986,000 shares of its treasury stocks at Rp 7,700 (full amount) per share, with total net sales amounted to Rp 691,492. The difference between the acquisition costs and the selling price of treasury stocks amounted to Rp 500,496 was recorded as "additional paid-in capital from treasury stock transactions", which is part of additional paid-in capital (see Note 26). As of 31 December 2012, total treasury stocks of the Bank were 198,781,000 shares with a total amount of Rp 617,589.

On 7 February 2013, the Bank sold 198,781,000 shares of its treasury stocks at Rp 9,900 (full amount) per share, with total net sales amounted to Rp 1,932,528. The difference between the acquisition costs and the selling price of treasury stocks amounted to Rp 1,314,939 was recorded as "additional paid-in capital from treasury stock transactions", which is part of additional paid-in capital (see Note 26). As of 31 December 2013, the Bank did not have any treasury stocks.

The Company's immediate parent company is PT Dwimuria Investama Andalan, which was incorporated in Indonesia, the owner of 54.94% of Bank's shares as of 31 December 2018 and 2017. The ultimate shareholders of the Bank are Mr. Robert Budi Hartono and Mr. Bambang Hartono.

Public Offering of Subordinated Bonds

Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018 were offered at par value. Interest will be paid on a quarterly basis based on interest payment due date. The first payment is on 5 October 2018, while the last payment of interest will be paid on the maturity date of the bond's principal.

The Bank entered into a Trustee Agreement with PT Bank Rakyat Indonesia (Persero) Tbk. (act as the bond's Trustee) of Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018 based on Trusteeship Agreement No. 27 dated 22 March 2018, of Notary Aulia Taufani, S.H., in Jakarta. This agreement were amended due to several changes which had been legalised on Amendment I No. 5 dated 5 June 2018 and Amendment II No. 2 dated 3 July 2018.

On 31 December 2018, the rating of Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018 based on Pefindo was idAA. On 26 June 2018, the bonds were listed on the Indonesian Stock Exchange (see Note 24).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)**

**d. The Subsidiaries**

The Subsidiaries, directly owned by the Bank as of 31 December 2018 and 2017, were as follows:

Name of the Company	Year of Starting the Commercial Operation	Type of Business	Domicile	Percentage of Ownership		Total Assets	
				2018	2017	2018	2017
PT BCA Finance	1981	Investment financing, working capital financing, multipurpose financing, operating lease, other financing activities based on approval from authorised agency	Jakarta	100%	100%	8,126,576	8,438,891
BCA Finance Limited	1975	Money lending and remittance	Hong Kong	100%	100%	772,181	778,725
PT Bank BCA Syariah	1991	Sharia banking	Jakarta	100%	100%	7,064,008	5,961,175
PT BCA Sekuritas	1990	Securities brokerage dealer and underwriter for issuance of securities	Jakarta	90%	90%	626,169	724,741
PT Asuransi Umum BCA	1988	General or loss insurance	Jakarta	100%	100%	1,765,349	1,430,474
PT Central Santosa Finance	2010	Investment financing, working capital financing, multipurpose financing, operating lease, other financing activities based on approval from authorised agency	Jakarta	100%	100%	1,404,536	1,801,510
PT Asuransi Jiwa BCA	2014	Life insurance	Jakarta	90%	90%	902,875	842,122
PT Central Capital Ventura	2017	Venture capital	Jakarta	100%	100%	205,022	204,524

**PT BCA Finance**

PT BCA Finance, a company domiciled in Indonesia and located at Wisma BCA Pondok Indah, 2<sup>nd</sup> Floor, Jalan Metro Pondok Indah No. 10, South Jakarta, was established in 1981 under the name of PT Central Sari Metropolitan Leasing Corporation (“CSML”). At its inception, the shareholders of CSML were PT Bank Central Asia and Japan Leasing Corporation.

In 2001, PT Central Sari Metropolitan Leasing Corporation changed its name to PT Central Sari Finance (“CSF”), followed by the change in the composition of its shareholders, where PT Bank Central Asia Tbk became the majority shareholder, and the change in its business focus to motor vehicles financing activities, particularly in vehicles with four or more wheels. Further, based on the Decision Letter of Minister of Law and Human Rights of the Republic of Indonesia No.C-08091 HT.01.04.TH.2005 dated 28 March 2005, PT Central Sari Finance’s name was changed to PT BCA Finance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)****d. The Subsidiaries (continued)****BCA Finance Limited**

BCA Finance Limited, a company domiciled in Hong Kong and located at The Center, 47<sup>th</sup> Floor, Unit 4707, 99 Queen's Road Central, Hong Kong, is engaged in money lending and remittance and has been operated commercially since 1975.

**PT Bank BCA Syariah**

PT Bank BCA Syariah, a company domiciled in Indonesia and located at Jalan Raya Jatinegara Timur No. 72, East Jakarta, is engaged in sharia banking activities and has been operated commercially since 1991.

Based on the Deed of Resolutions in lieu of General Meeting of Shareholders of PT Bank UIB No. 49, of Notary Public Ny. Pudji Redjeki Irawati, S.H., dated 16 December 2009, PT Bank UIB changed its business activities to become sharia bank and changed its name to PT Bank BCA Syariah. The deed of amendment was approved by the Minister of Justice of the Republic of Indonesia in its Decision Letter No. AHU-01929.AH.01.02 dated 14 January 2010.

The change in business activities of this subsidiary from conventional bank into sharia bank was approved by the Governor of Bank Indonesia through its Decision Letter No. 12/13/KEP.GBI/DpG/2010 dated 2 March 2010. Through this approval, on 5 April 2010, PT Bank BCA Syariah officially operated as a sharia bank.

**PT BCA Sekuritas**

PT BCA Sekuritas, a company domiciled in Indonesia and located at Menara BCA, Grand Indonesia, 41<sup>st</sup> Floor, Suite 4101, Jalan M.H. Thamrin No. 1, Jakarta, is engaged as securities broker and underwriter since 1990.

On 2 October 2012, based on the Deed of Minutes of Extraordinary General Meeting of Shareholders of PT Dinamika Usaha Jaya No. 5, of Notary Public Dr. Irawan Soerodjo, S.H., Msi., PT Dinamika Usaha Jaya changed its name to PT BCA Sekuritas. This change was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-54329.AH.01.02 dated 22 October 2012.

On 25 August 2017, based on the Deed of Minutes of Extraordinary General Meeting of Shareholders of PT BCA Sekuritas No. 129, of Notary Public Dr. Irawan Soerodjo, S.H., Msi., there was transfer of shares from PT Poly Kapitalindo to PT Bank Central Asia Tbk so that the ownership of PT Bank Central Asia Tbk on PT BCA Sekuritas became 90%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)****d. The Subsidiaries (continued)****PT Asuransi Umum BCA**

PT Asuransi Umum BCA, a company domiciled in Indonesia and located at Sahid Sudirman Center Building, 10<sup>th</sup> Floor, unit E, F, G, H Jalan Jendral Sudirman Kav. 86, Jakarta is engaged in insurance activities, particularly in general or loss insurance activities.

PT Asuransi Umum BCA was established in 1988 under the name of PT Asuransi Ganesha Danamas. In 2006, PT Asuransi Ganesha Danamas changed its name to PT Transpacific General Insurance and later in 2011, this subsidiary's name was changed to PT Central Sejahtera Insurance, following the change in the composition of its shareholders to Dana Pensiun BCA at 75% (seventy five percent) ownership and PT BCA Finance (Bank's Subsidiary) at 25% (twenty five percent) ownership.

On 5 December 2013, based on the Deed of Minutes of Extraordinary General Meeting of Shareholders of PT Central Sejahtera Insurance No. 7, of Notary Public Veronica Sandra Irawaty Purnadi, S.H., PT Central Sejahtera Insurance changed its name to PT Asuransi Umum BCA. This change was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-64973.AH.01.02 dated 11 December 2013.

**PT Central Santosa Finance**

PT Central Santosa Finance, a company domiciled in Indonesia and located at WTC Mangga Dua, 6<sup>th</sup> Floor, Block CL No. 001, Jalan Mangga Dua Raya No. 8, Kelurahan Ancol, Kecamatan Pademangan, Jakarta, is engaged in investment financing, working capital financing, multipurpose financing, operating lease, other financing activities based on approval from authorised agency.

PT Central Santosa Finance was incorporated in the Republic of Indonesia with Deed of Notary Public Fransiscus Xaverius Budi Santosa Isbandi, S.H., dated 29 April 2010 No. 95. The deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-23631.AH.01.01 dated 10 May 2010.

**PT Asuransi Jiwa BCA**

PT Asuransi Jiwa BCA, a company domiciled in Indonesia and located at Chase Plaza Building, 22<sup>nd</sup> floor, Jalan Jenderal Sudirman Kav 21, Jakarta 12920, is engaged in life insurance activities, including life insurance with sharia principle.

PT Asuransi Jiwa BCA was incorporated in the Republic of Indonesia with Deed of Notary Public of Dr. Irawan Soerodjo, S.H., Msi., dated 16 October 2013 No. 90. The deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-56809.AH.01.01 dated 7 November 2013.

The Subsidiary obtained business permit in life insurance activities from the Chairman of the Board of Commissioner of Financial Services Authority through Decision Letter No. KEP-91/D.05/2014 dated 14 July 2014.

On 2 November 2017, based on the Deed of Minutes of Extraordinary General Meeting of Shareholders of PT Asuransi Jiwa BCA No. 15, of Notary Public Dr. Irawan Soerodjo, S.H., Msi., there was a transfer of PT Asuransi Jiwa BCA's issued shares by selling the entire shares owned by PT BCA Sekuritas and PT Asuransi Umum BCA (Subsidiaries) to the Bank amounting to 90%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL** (continued)

**d. The Subsidiaries** (continued)

**PT Asuransi Jiwa BCA** (continued)

The Deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-AH.01.03-0188287 dated 2 November 2017.

**PT Central Capital Ventura**

PT Central Capital Ventura, a company domiciled in Indonesia and located at Office 8 Building, 16<sup>th</sup> floor, Unit F, SCBD Lot 28, Jalan Jenderal Sudirman Kav 52-53, Kelurahan Senayan, Kecamatan Kebayoran Baru, South Jakarta, is engaged in venture capital activities.

PT Central Capital Ventura was incorporated in the Republic of Indonesia with Deed of Notary Public Veronica Sandra Irawaty Purnadi, S.H., dated 25 January 2017 No. 15. The deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0004845.AH.01.01 dated 2 February 2017. The Subsidiary obtained venture capital business permit based on Copy of Decision of Board of Commissioner of Financial Services Authority number: KEP-39/D.05/2017 dated 19 June 2017.

**e. Board of Commissioners and Board of Directors**

The compositions of the Bank's management as of 31 December 2018 and 2017 are as follows:

<b>Board of Commissioners</b>	<b>2018</b>	<b>2017</b>
President Commissioner	: Djohan Emir Setijoso	Djohan Emir Setijoso
Commissioner	: Tonny Kusnadi	Tonny Kusnadi
Independent Commissioner	: Cyrillus Harinowo	Cyrillus Harinowo
Independent Commissioner	: Raden Pardede	Raden Pardede
Independent Commissioner	: Sumantri Slamet	Sumantri Slamet
<b>Board of Directors</b>	<b>2018</b>	<b>2017</b>
President Director	: Jahja Setiaatmadja	Jahja Setiaatmadja
Deputy President Director	: Eugene Keith Galbraith	Eugene Keith Galbraith
Deputy President Director	: Armand Wahyudi Hartono	Armand Wahyudi Hartono
Director	: Suwignyo Budiman	Suwignyo Budiman
Director	: Tan Ho Hien/Subur Tan <sup>*)</sup>	Tan Ho Hien/Subur Tan <sup>*)</sup>
Director	: Henry Koenafi	Henry Koenafi
Independent Director	: Erwan Yuris Ang	Erwan Yuris Ang
Director	: Rudy Susanto	Rudy Susanto
Director	: Lianawaty Suwono	Lianawaty Suwono
Director	: Santoso	Santoso
Director	: Inawaty Handoyo	Inawaty Handoyo
Director	: Vera Eve Lim <sup>**)</sup>	-

<sup>\*)</sup> Compliance Director

<sup>\*\*)</sup> Effective since 20 April 2018

The composition of the Bank's management as of 31 December 2018 based on the Deed of Resolution No. 180 dated 26 April 2018, of Notary Public Dr. Irawan Soerodjo, S.H., Msi., Notary in Jakarta.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Expressed in millions of Rupiah, unless otherwise stated)

**1. GENERAL (continued)****e. Board of Commissioners and Board of Directors (continued)**

The composition of the Bank's management as of 31 December 2017 based on the Deed of Resolution No. 216 dated 26 August 2016, of Notary Public Dr. Irawan Soerodjo, S.H., Msi., Notary in Jakarta.

**f. Audit Committee**

The Bank's Audit Committee as of 31 December 2018 and 2017 are as follows:

Chairman	: Cyrillus Harinowo
Member	: Ilham Ikhsan
Member	: Tjen Lestari

The establishment of the Bank's Audit Committee was in line with Financial Services Authority Regulation ("POJK") No. 55/POJK.04/2015 dated 23 December 2015 regarding Establishment and Implementation Guidelines on Audit Committee Work.

**g. Internal Audit Division and Corporate Secretary**

The Head of the Bank's Internal Audit Division as of 31 December 2018 and 2017 is as follows:

Internal Audit Division Head : Ayna Dewi Setianingrum

The Corporate Secretary of the Bank as of 31 December 2018 and 2017 is as follows:

Corporate Secretary : Jan Hendra

**h. Number of employees**

As of 31 December 2018 and 2017, the Bank and Subsidiaries had 27,561 and 26,962 permanent employees.

Key management personnel of the Bank consists of members of Board of Commissioners and Board of Directors.

**i. Changes in regulation and supervision of capital market sectors and banking sectors**

Effective since 31 December 2012, functions, duties, and regulatory authorities in capital market sectors have been transferred from Bapepam-LK Ministry of Finance to Capital Market and Financial Institutions Agency section in OJK. Effective since 31 December 2013, functions, duties, and regulatory authorities and supervisory in banking sectors shift from Bank Indonesia to OJK.

**j. Completion of the consolidated financial statements**

The Bank's management is responsible for the preparation of these consolidated financial statements, which were authorised for issuance on 11 February 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies, consistently applied in the preparation of the consolidated financial statements of the Bank and Subsidiaries (“the Group”) as of 31 December 2018 and 2017, are as follows:

**a. Statement of compliance**

The consolidated financial statements of the Group have been prepared and presented in accordance with Indonesian Financial Accounting Standards (“SFAS”) which include Statement and Interpretation issued by the Financial Accounting Standard Board of Indonesian Institute of Accountant and Bapepam-LK Regulation No. KEP-347/BL/2012 dated 25 June 2012, Regulation No. VIII G.7 regarding “Presentation and Disclosure of Public Company’s Financial Statements”.

Financial statements of PT Bank BCA Syariah (Subsidiary) are presented in accordance with Sharia Financial Accounting Standards and other Financial Accounting Standards issued by Indonesian Institute of Accountant.

**b. Basis for preparation of the consolidated financial statements**

These consolidated financial statements are presented in Rupiah, which is the functional currency. Except as otherwise stated, the financial information presented has been rounded to the nearest million of Rupiah.

The consolidated financial statements have been prepared under the historical cost convention, except for fixed assets - land, financial assets classified as available-for-sale, and financial assets and liabilities (including derivative instruments) held at fair value through profit or loss, which are measured at fair value.

The consolidated financial statements have been prepared based on the accrual basis, except for the consolidated statement of cash flows.

The consolidated statements of cash flows present the changes in cash and cash equivalents from operating, investing and financing activities, and are prepared using the direct method. For the purpose of the presentation of the consolidated statements of cash flows, cash and cash equivalents consist of cash, current accounts with Bank Indonesia, current accounts with other banks, placements with Bank Indonesia and other banks mature within 3 (three) months from the date of acquisition, as long as they are not being pledged as collateral for borrowings nor restricted.

**c. Use of judgments, estimates and assumptions**

The preparation of consolidated financial statements in conformity with Indonesian Financial Accounting Standards (“SFAS”) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management’s best knowledge of current events and activities, actual results may differ from those estimates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****c. Use of judgments, estimates and assumptions (continued)**

In order to provide understanding of the financial performance of Bank and Subsidiaries, due to the significance of their nature or amount, several items of income or expense have been presented separately.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amount recognised in the consolidated financial statements are described in Note 3.

**d. Changes in accounting policies**

Financial Accounting Standard Board of Indonesian Institute of Accountant (DSAK-IAI) has issued the following relevant new standards, amendments and interpretations which were effective on or after 1 January 2018 as follows:

- SFAS 69 "Agriculture"
- SFAS 111 "Accounting Wa'd"
- Amendment to SFAS 2 "Statements of Cash Flows about Disclosure Initiative"
- Amendment to SFAS 13 "Investment Property about Transfers of Investment Property"
- Amendment to SFAS 16 "Property, Plant and Equipment"
- Amendment to SFAS 46 "Income Tax about Deferred Tax Assets Recognition for Unrealised Loss"
- Amendment to SFAS 53 "Share-Based Payments about Classification and Measurement of Share-based Payment Transactions"
- Annual Improvements to SFAS 15 "Investments in Associates and Joint Ventures"
- Annual Improvements to SFAS 67 "Disclosures of Interests in Other Entities"

The implementation of the above new/revised standards do not have substantial changes to the accounting policies and have no material effect on the consolidated financial statements for the current or prior financial years.

**e. Basis of consolidation**

The consolidated financial statements consist of financial statements of the Bank and Subsidiaries (PT BCA Finance, BCA Finance Limited, PT Bank BCA Syariah, PT BCA Sekuritas, PT Asuransi Umum BCA, PT Central Santosa Finance, PT Asuransi Jiwa BCA, and PT Central Capital Ventura) together "the Group". Subsidiaries are all entities over which the Bank has control.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****e. Basis of consolidation (continued)**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a Subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination was measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on a acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Non-controlling interest is reported as equity in the consolidated statement of financial position, separate from the owner of the parent's equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amount are less than the fair value of the net identifiable assets of the business acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SFAS 55 (Revised 2014) "Financial Instrument: Recognition and Measurement" in the statement of profit or loss. Contingent consideration that is classified as equity that is not remeasured, and its subsequent settlement is accounted for within equity.

Acquisition-related costs are expensed as incurred.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquiree's net assets.

Non-controlling interests are recognised on the date of business combination and subsequently adjusted to the proportion of the changes in equity of Subsidiary.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****e. Basis of consolidation (continued)**

Non-controlling interests are presented in equity in the consolidated statement of financial position, separate from equity, which can be attributed to the owner, and expressed as the proportion of non-controlling shareholders for current year earnings and equity that can be attributed to non-controlling interests based on ownership percentage of non-controlling shareholders in the Subsidiary.

If the Group loses control of a Subsidiary, the Group:

- a. Derecognises the assets and liabilities of the former Subsidiary from the consolidated statement of financial position.
- b. Recognises any investment retained in the former Subsidiary at fair value on the date when control is lost and subsequently accounts for it and for any amounts owed by or to the former Subsidiary in accordance with the relevant financial accounting standard. That fair value is regarded as the fair value on initial recognition of a financial asset in accordance with SFAS No. 55, "Financial Instruments: Recognition and Measurement".
- c. Recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

Changes affected the Bank's ownership interest and equity of Subsidiary that do not result in the loss of control are accounted for as equity transactions and presented as other equity components within equity in the consolidated statements of financial position.

Business combination of entities under common control transactions, such as transfer of business in relation to reorganisation of entities within the same business group, is not a change of ownership in terms of economic substance, therefore such transaction cannot generate any gains or losses for the Group as a whole as well as the individual entity within the business group.

Business combination of entities under common control transactions, according to SFAS No. 38 (Revised 2012), "Business Combination under Common Control", is recognised at its carrying amount based on pooling-of-interest method. Entity that receives the business as well as the entity that disposes the business recognises the difference between the proceeds transferred/received and carrying amount arising from a business combination under common control transaction as part of equity in the additional paid-in capital account.

In accordance with transition requirement of SFAS No. 38 (Revised 2012), the difference in value arising from restructuring transaction of entities under common control based on SFAS No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control", at the beginning of the implementation of this standard, was disclosed in equity as part of additional paid-in capital account and will never be recognised as realised profit or loss or reclassified into retained earnings in the future.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**f. Translation of transactions in foreign currencies**

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Group domiciled in Indonesia maintained its accounting record in Rupiah, which is the functional and presentation currency of the Group. Transactions denominated in foreign currencies are translated into Rupiah at the exchange rates prevailing at the date of the transaction. At the reporting date, year-end balances of monetary assets and liabilities denominated in foreign currencies are translated into Rupiah at the exchange rates prevailing at the date of consolidated statements of financial position.

For consolidation purposes, foreign currency financial statements of the Bank's overseas Subsidiary are translated into Rupiah based on the following basis:

- (1) Assets and liabilities, commitments and contingencies are translated using the Reuters spot rates at 16:00 WIB at the statement of financial position date.
- (2) Income, expenses, gains and losses represent the accumulated amount from monthly profit or loss balance during the year, are translated into Rupiah using the average Reuters middle rate for the respective month.
- (3) Equity accounts are translated using historical rates.
- (4) Statement of cash flows is translated using the Reuters spot rate at 16:00 WIB at the statement of financial position date, except for profit or loss accounts which are translated using the average middle rates and equity accounts which are translated using historical rates.

Differences arising from the above translation are presented as "foreign exchange differences arising from translation of financial statements in foreign currency" under the equity section of the consolidated statements of financial position.

Exchange gains or losses arising from transactions in foreign currencies and from the translation of monetary assets and liabilities in foreign currencies are recognised in the current year consolidated profit or loss.

Summarised below are the major exchange rates as of 31 December 2018 and 2017, using Reuters middle rate at 16:00 WIB (full amount of Rupiah):

	<b>Foreign currencies</b>	<b>2018</b>	<b>2017</b>
1	United States Dollar (USD)	14,380.0	13,567.5
1	Australian Dollar (AUD)	10,162.4	10,594.2
1	Singapore Dollar (SGD)	10,554.9	10,154.6
1	Hong Kong Dollar (HKD)	1,836.3	1,736.2
1	Great Britain Poundsterling (GBP)	18,311.5	18,325.6
100	Japanese Yen (JPY)	13,062.0	12,052.0
1	Euro (EUR)	16,440.7	16,236.2

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****g. Financial assets and liabilities****g.1. Financial assets**

The Group classifies their financial assets in the following categories at initial recognition (a) at fair value through profit or loss, (b) loans and receivables, (c) held-to-maturity, and (d) available-for-sale. This classification depends on the purpose of obtaining these financial assets. Management determines the classification of financial assets at the time of initial recognition.

**(a) Financial assets recognised at fair value through profit or loss**

This category has 2 (two) sub-classifications, i.e. those designated as such upon initial recognition and those classified as held for trading; and financial assets which at the initial recognition have been determined by the Bank to be measured at fair value through profit or loss.

Held for trading are those financial assets that the Group acquired or incurred principally for the purpose of selling or repurchasing in the near term, or held as part of a certain financial instrument portfolio that is managed together for short-term profit (short term profit-taking). Derivatives are also categorised as trading groups, except derivatives that are designated and effective as hedging instruments.

Financial instruments grouped into this category are recognised at their fair value at initial recognition; transaction costs are recognised directly in the statement of profit or loss. Gains and losses arising from changes in fair value and sale of financial instruments are recognised in the statement of profit or loss and recorded as respectively "Gains (losses) from changes in fair value of financial instruments" and "Gains (losses) from the sale of financial instruments". Interest income from financial instruments in the trading group is recorded as "Interest income".

**(b) Loans and receivables**

Loans and receivables are non-derivative assets with fixed or determinable payments and fixed maturity did not have quotation in active market which are not designated at fair value through profit or loss or available-for-sale, unless:

- those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;
- those that upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of deterioration of loans and receivables.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****g. Financial assets and liabilities (continued)****g.1. Financial assets (continued)****(b) Loans and receivables (continued)**

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method less allowance for impairment losses. Interest income on financial assets classified as loans and receivables is included in the statement of profit or loss and reported as "Interest income". In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the financial assets classified as loan and receivables and recognised in the statement of profit or loss as "Allowance for impairment losses on financial assets".

**(c) Held-to-maturity financial assets**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payment and fixed maturities that the Group has the positive intention and ability to held to maturity other than:

- those that upon initial recognition designated as at fair value through profit or loss;
- those that the Group designated as available-for-sale; and
- those that met the definition of loans and receivables.

Held-to-maturity financial assets are initially recognised at fair value including transaction costs and subsequently measured at amortised cost, using the effective interest rate method less allowance for impairment losses.

Interest income on held-to-maturity investments is recorded in the statement of profit or loss and reported as "Interest income". In the case of impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the financial statements as "Allowance for impairment losses as financial assets".

**(d) Financial assets available-for-sale**

Available-for-sale financial assets are financial assets that are intended to be held for certain period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates or that are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through statement of profit or loss.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****g. Financial assets and liabilities (continued)****g.1. Financial assets (continued)****(d) Financial assets available-for-sale (continued)**

Available-for-sale financial assets are initially recognised at fair value, plus transaction costs, and subsequently measured at fair value with gains and losses being recognised in statement of comprehensive income, except for impairment losses and foreign exchange gains or losses, until the financial assets is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income (expense) will be recognised as the profit or loss. Interest income is calculated using the effective interest rate method, and foreign currency gains or losses on monetary assets classified as available-for-sale are recognised in the statement of profit or loss.

**(e) Recognition**

The Group uses trade date accounting for regular way contracts when recording financial assets transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statements of financial position as "Pledged assets", if the transferee has the right to sell or repledge them.

**g.2. Financial liabilities**

The Group classifies its financial liabilities in the category of (a) financial liabilities at fair value through profit or loss and (b) financial liabilities measured at amortised cost. Financial liabilities are derecognised when they have redeemed or otherwise extinguished.

**(a) Financial liabilities measured at fair value through profit or loss**

This category comprises two subcategories: financial liabilities classified as held for trading and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition. At the initial and subsequent recognition, this is recorded at fair value.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading instrument unless they are designated and effective as hedging instruments.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the statement of profit or loss and reported as "Gains (losses) from changes in fair value of financial instruments". Interest expenses on financial liabilities held for trading are recorded as "Interest expenses".

If the Group designs certain debt securities upon initial recognition as at fair value through profit or loss (fair value option), then this designation cannot be changed subsequently. According to SFAS 55 (Revised 2014), the fair value option is applied on the debt securities consists of debt host and embedded derivatives that otherwise must be separated.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****g. Financial assets and liabilities (continued)****g.2. Financial liabilities (continued)****(a) Financial liabilities measured at fair value through profit or loss (continued)**

Fair value changes related to financial liabilities designated at fair value through profit or loss are recognised in "Gains/(losses) from changes in fair value of financial instruments".

**(b) Financial liabilities measured at amortised cost**

Financial liabilities that are not classified as at fair value through profit and loss fall into this category and are measured as amortised cost.

Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs (if any).

After initial recognition, the Group measures all financial liabilities at amortised cost using effective interest rate method.

**g.3. Determination of fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of a financial instrument using the quoted price in an active market for that instrument.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the active market is regarded as being unavailable. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the difference is amortised and recognised in the profit or loss over the life of the instrument, but not longer than the valuation date supported by observable market data or when the transactions are closed.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****g. Financial assets and liabilities (continued)****g.3. Determination of fair value (continued)**

For financial instruments with no quoted market price, a reasonable estimate of the fair value is determined by referencing to the current market value of another instrument which substantially have the same characteristic or calculated based on the expected cash flows of the underlying net asset base of the marketable securities.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

**g.4. Derecognition**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished or expired.

**g.5. Reclassification of financial assets**

Financial assets that are no longer held for trading or repurchase of financial assets in the near future could be reclassified as loans and receivables if it met the definition of loans and receivables and entity has the intention and ability to hold the financial assets for foreseeable future or until maturity date.

The Group shall not classify any financial assets as held-to-maturity if during the current financial year or during the two preceding financial years, the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

- (a) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- (b) occur after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- (c) are attributable to an isolated event that is beyond the Group control, is non-recurring and could not have been reasonably anticipated by the Group.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## g. Financial assets and liabilities (continued)

## g.5. Reclassification of financial assets (continued)

Reclassification of financial assets from held-to-maturity classification to available-for-sale are recorded at fair value. Unrealised gains or losses shall be recognised in other comprehensive income until the financial assets is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to statement of profit or loss as a reclassification adjustment.

## g.6. Classification of financial assets and liabilities

The Group classifies the financial instruments into classes that reflects the nature of information and take into account the characteristic of those financial instruments. The classification can be seen in the table below.

Category of financial assets and liabilities		Classes (as determined by the Group)	Subclasses		
Financial assets	Financial assets at fair value through profit or loss	Financial assets held for trading	Securities		
			Placement with other Banks		
			Derivative assets		
	Loans and receivables		Cash		
			Current accounts with Bank Indonesia		
			Current accounts with other banks		
			Placements with Bank Indonesia and other banks		
			Acceptance receivables		
			Bills receivable		
			Loans receivable		
			Securities purchased under agreements to resell		
			Consumer financing receivables		
			Investment in finance leases		
Other assets		Interest receivables			
		Unaccepted bills receivables			
		Receivables from customer transactions			
		Receivables from insurance transactions			
Held-to-maturity investments		Investment securities			
Available-for-sale financial assets		Placements with Bank Indonesia and other banks	Certificates of Deposits		
		Investment securities			
Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	Derivative liabilities		
			Financial liabilities at amortised cost		Deposits from customers
	Deposits from other banks				
	Acceptance payables				
	Securities sold under agreements to repurchase				
	Debt securities issued				
	Borrowings				
	Accrued expenses and other liabilities				Other liabilities:
					- Accrued interest expenses
			- Liabilities from customer transactions		
	Subordinated bonds		- Liabilities from insurance transactions		
Commitment and contingencies		Unused credit facilities			
		Irrevocable letters of credit			
		Bank guarantee issued			

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****g. Financial assets and liabilities (continued)****g.7. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right of set-off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. In certain situations, even though master netting agreements exist, the lack of management intention to settle on a net basis results in the financial assets and liabilities being reported gross on the statement of financial position.

**g.8. Financial guarantee contracts and other commitment receivables**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor defaulted to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other institutions on behalf of customers to secure loans and other banking facilities, and unused provision of funds facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at inception is likely to equal the premium received because all guarantees are agreed on arm's length terms and the initial fair value is amortised over the life of the financial guarantees.

Subsequently, they are measured at the higher of amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable) and the difference is charged to other operating expense in consolidated statement of profit or loss.

Allowance for impairment losses on financial guarantee contracts that have credit risk are calculated based on historical losses.

**g.9. Allowance for impairment losses of financial assets****(a) Financial assets carried based at amortised cost**

At each reporting date, the Group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and the loss event has an impact on the future cash flows on the assets that can be estimated reliably.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****g. Financial assets and liabilities (continued)****g.9. Allowance for impairment losses of financial assets (continued)****(a) Financial assets carried based at amortised cost (continued)**

When a loan is uncollectible, it is written off against the related allowance for impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to financial assets category as held-to-maturity and loans and receivables are classified in "Allowance for impairment losses".

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss.

Subsequent recoveries of loans written off are credited to the allowance for impairment losses account.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter into bankruptcy, the disappearance of an active market for a security due to financial difficulties, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Group considers evidence of impairment for financial assets at both specific and collective level. All individually significant financial assets are assessed for specific impairment.

All individually significant financial assets not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together such financial assets with similar risk characteristics. Financial assets that are individually assessed for impairment and for which an impairment loss is recognised are no longer included in a collective assessment of impairment.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****g. Financial assets and liabilities (continued)****g.9. Allowance for impairment losses of financial assets (continued)****(a) Financial assets carried based at amortised cost (continued)**

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by statistical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the financial assets original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. Losses are recognised in the current year consolidated profit or loss and reflected in an allowance account against financial assets in the consolidated statements of financial position. Interest on the impaired financial asset continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the current year consolidated profit or loss.

**(b) Available-for-sale financial assets**

Impairment losses on available-for-sale marketable securities are recognised by transferring the cumulative losses that have been recognised directly as other comprehensive income to profit or loss as a reclassification adjustment. The cumulative losses that are reclassified from other comprehensive income to profit or loss are the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognised to consolidated profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****g. Financial assets and liabilities (continued)****g.9. Allowance for impairment losses of financial assets (continued)****(b) Available-for-sale financial assets (continued)**

If, in a subsequent year, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss is reversed, with the amount of reversal recognised in current year consolidated profit or loss.

If the terms of a loan, receivable, or investment are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measure using the original effective interest before the modification of terms.

**h. Allowance for impairment losses on non-financial assets**

The carrying amounts of the Group non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For the purpose of impairment testing, non-financial assets are allocated to the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or cash generating unit ("CGU").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU.

An impairment loss is recognised if the carrying amount of a non-financial asset or CGU exceeds the recoverable amount.

Impairment losses recognised in the previous period are evaluated at each financial reporting date whether there are indications that losses have decreased or no longer existed. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses are reversed only to the extent of the carrying value of non-financial assets does not exceed the carrying value, net of depreciation or amortization, if no impairment loss had been recognised.

An impairment loss in respect of goodwill is not reversed.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****i. Current accounts with Bank Indonesia and other banks**

Current accounts with Bank Indonesia and other banks are stated at face value or the gross value of the outstanding balance, less allowance for impairment losses, where appropriate. Current accounts with Bank Indonesia and other banks are classified as loans and receivables. Refer to Note 2g for accounting policy for loans and receivables.

**j. Placements with Bank Indonesia and other banks**

Placements with Bank Indonesia and other banks are classified as loans and receivables, and available-for-sale. Refer to Note 2g for accounting policy for loans and receivables and available-for-sale.

**k. Financial assets and liabilities held for trading**

Financial assets and liabilities held for trading consist of securities traded in the money market such as Certificates of Bank Indonesia ("SBI"), Corporate Bond, bills receivable, derivative financial instruments, and securities traded on the stock exchanges.

Financial assets and liabilities held for trading are classified as financial assets and liabilities at fair value through profit or loss. Refer to Note 2g for the accounting policy of financial assets and liabilities held for trading.

**Derivative financial instruments**

Derivative instruments are initially recognised at fair value on the date of which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

**Investment in sukuk measured at fair value through profit or loss**

The Group initially recognises the investment in sukuk measured at fair value through profit or loss at acquisition cost. Such cost does not include transaction costs. Subsequent to initial recognition, the difference between fair value and the carrying amount is recognised in the consolidated profit or loss.

The fair value of investment is determined by referencing to the following order:

- quoted price (without adjustments) in active market, or
- input other than quoted price in the observable active market.

Investment in sukuk measured at fair value through profit or loss is presented in the consolidated statement of financial position as part of financial assets held for trading.

**l. Acceptance receivables and payables**

Acceptance receivables are classified as loans and receivables, while acceptance payables are classified as financial liabilities measured at amortised cost. Refer to Note 2g for the accounting policy of loans and receivable and financial liabilities measured at amortised cost.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****m. Loans receivable**

Loans receivable are classified as loans and receivables. Refer to Note 2g for the accounting policy of loans and receivable.

Syndicated, joint financing and channeling loans are stated at amortised cost in accordance with the portion of risks borne by the Bank.

The Group records restructure of troubled debt in accordance with the restructured type. In troubled debt restructuring which involves a modification of terms, reduction of portion of loan principal and/or combination of both, the Group records the effect of the restructuring prospectively and do not change the carrying value of receivables at the time of restructuring, unless the amount exceeds the present value of the total future cash receipts specified in the new terms. If the present value of the total future cash receipts specified in the new terms is lower than the recorded receivables balance prior to restructuring, the Group should reduce the loan balance to the amount equal to the present value of the total future cash receipts. The amount of the reduction is recognised as individual impairment losses in the current year consolidated profit or loss.

**n. Securities purchased under agreements to resell and securities sold under agreements to repurchase**

Securities purchased under agreements to resell (reverse repo) are presented as receivables and stated at the agreed resell price less the difference between the purchase price and the agreed resale price. The difference between the purchase price and the agreed resale price is amortised using the effective interest method as interest income over the period commencing from the acquisition date to the resell date. Securities purchased under agreements to resell (reverse repo) are classified as loans and receivables. Refer to Note 2g for the accounting policy of loans and receivables.

Securities sold under agreements to repurchase (repo) are presented as liabilities and stated at the agreed repurchase price less the unamortised interest expense. Unamortised interest expense is the difference between selling price and agreed repurchase price and is recognised as interest expense during the period from the securities are sold until the securities are repurchased. Securities sold are still recorded as assets in the consolidated statements of financial position because the securities ownership remains substantially with the Bank as a seller. Securities sold under agreements to repurchase (repo) are classified as financial liabilities measured at amortised cost. Refer to Note 2g for the accounting policy of financial liabilities measured at amortised cost.

**o. Consumer financing receivables**

Consumer financing receivables are stated at net of joint financing, unearned consumer financing income and allowance for impairment losses. Consumer financing receivables are classified as loans and receivables. Refer to Note 2g for the accounting policy of the loans and receivables.

Unearned consumer financing income represents the difference between total installments to be received from the consumer and the principal amount financed, plus or deducted with the unamortised transaction cost/(income), which will be recognised as income over the term of the contract using effective interest rate method of the related consumer financing receivable.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****o. Consumer financing receivables (continued)**

Unamortised transaction cost/(income) are financing administration income and transaction expense which are incurred at the first time and directly attributable to consumer financing.

Early termination of a contract is treated as a cancellation of an existing contract and the resulting gain is recognised in the current year consolidated profit or loss accounts.

Consumer financing receivables will be written-off when they are overdue for more than 150 (one hundred and fifty) days for four-wheeled motor vehicles and 180 (one hundred and eighty) days for two-wheeled motor vehicles, and based on management review of individual case.

**Joint financing**

All joint financing agreements entered by the Subsidiary are joint financing without recourse in which only the Subsidiary's financing portion of the total installments are recorded as consumer financing receivables in the consolidated statements of financial position (net approach). Consumer financing income is presented in the consolidated statement of profit or loss after deducting the portions belong to other parties participated to these joint financing transactions.

**Receivables from collateral vehicles reinforced**

Receivables from collateral vehicles reinforced represent receivables derived from motor vehicle collaterals owned by customers for settlement of their consumer financing receivables, which is presented as part of consumer financing receivables.

In case of default, the consumer gives the right to the Group to sell the motor vehicle collaterals or take any other actions to settle the outstanding receivables.

Consumers are entitled to the positive differences between the proceeds from sales of foreclosed collaterals and the outstanding consumer financing receivables. If the differences are negative, the resulting losses are charged to the current year consolidated profit or loss.

Expenses in relation with the acquisition and maintenance of receivables from collateral vehicles reinforced are charged to the consolidated profit or loss when incurred.

**p. Accounting for finance leases**

Leases are classified as finance leases if such leases transfer substantially all the risks and rewards related to the ownership of the leased assets. Leases are classified as operating leases if the leases do not transfer substantially all the risks and rewards related to ownership of the leased assets.

Assets held under finance lease are recognised in the consolidated statements of financial position at an amount equal to the net investment in the lease. Receipts from lease receivables are treated as repayments of principal and financing lease income. The recognition of finance lease income is based on a pattern reflecting a constant periodic rate of return on the Subsidiary's net investment as lessor in the finance lease.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****p. Accounting for finance leases (continued)**

Finance leases are classified as loans and receivables. Refer to Note 2g for the accounting policy of loans and receivables.

**q. Assets related to sharia transactions**

Assets related to sharia transactions is financing by PT Bank BCA Syariah, a subsidiary, in the form of sharia and *Qardh* financing.

Brief explanation for each type of sharia financing is as follows:

Assets from sharia transactions consist of *mudharabah* and *musyarakah* financing receivables, *ijarah* assets and receivables, and *murabahah* financing receivables.

*Murabahah* is a financing agreement to sell or purchase of goods, in which the selling price equals to the cost of goods plus a pre-agreed profit margin and the seller should disclose its cost to the buyer. *Murabahah* financing is stated at balance of receivables less deferred margin and allowance for impairment losses.

*Ijarah* is a lease agreement for goods and/or services, including the right to use, between the owner of a leased object (lessor) and lessee, to generate income from the leased object. *Ijarah muntahiyah bittamlik* is a lease agreement between lessor and lessee to obtain income from the leased object with an option to transfer the ownership title of leased object through purchase/sale or as a gift (*hibah*) at certain period as agreed in the lease agreement (*akad*). *Ijarah muntahiyah bittamlik* assets are stated at the acquisition costs less accumulated depreciation. *Ijarah* receivable is recognised at maturity date based on unearned lease income and presented at net realisable value, i.e. balance of the receivables less allowance for impairment losses.

*Mudharabah* is an investment of funds from the owner of fund (*malik, shahibul maal*, or sharia bank) to a fund manager (*amil, mudharib*, or customer) for a specific business activity, under a profit or revenue sharing agreement between the two parties at a pre-agreed ratio (*nisbah*). *Mudharabah* financing is stated at financing balance less allowance for impairment losses.

*Musyarakah* is an investment of funds from the owners of funds to combine their funds for a specific business activity, for which the profits are shared based on a pre-agreed *nisbah*, while losses are borne proportionally by the fund owners.

Permanent *musyarakah* is a *musyarakah* for which the amount of funds contributed by each party is fixed until the end of the agreement. Declining *musyarakah* (*musyarakah mutanaqisha*) is *musyarakah* with a condition that the amount contributed by a party will be declining from time to time as it is transferred to another party, such that at the end of the agreement, the other party will fully own the business. *Musyarakah* financing is stated at financing balance less allowance for impairment losses.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****q. Assets related to sharia transactions (continued)**

The Subsidiary determines the allowance for impairment losses of sharia financing receivables in accordance with the quality of each financing receivable by referring to the requirements of Financial Services Authority, except for *murabahah* financing receivables for which the identification and measurement of impairment losses follows SFAS No. 55.

**r. Investment securities**

Investment securities consist of traded securities in the money market and stock exchange such as government bonds, sukuk, corporate bonds, Certificates of Bank Indonesia, mutual funds, medium term notes, shares. Investment securities are classified as financial assets held-to-maturity and available-for-sale. Refer to Note 2g of the accounting policy for financial assets held-to-maturity and available-for-sale.

**Investments in sukuk measured at cost and measured at fair value through other comprehensive income**

Investments in sukuk initially measured at cost and measured at fair value through other comprehensive income are recognised at acquisition cost, including the transaction costs.

- **Measured at cost**

Subsequent to initial recognition, the difference between acquisition cost and nominal value is amortised using straight-line method during the period of sukuk and recognised in the consolidated profit or loss. If there is indication of impairment, the entity measures its recoverable amount. If the recoverable amount is less than the carrying amount, the Group recognises the impairment losses.

Investment in sukuk is classified as measured at cost if:

- a. the investment is held within a business model whose objective is to collect contractual cash flows; and
- b. the contractual terms give rise on specified dates to payments of principal and/or the margin.

- **Measured at fair value through other comprehensive income**

Subsequent to initial recognition, the difference between acquisition cost and nominal value is amortised using straight-line method during the period of sukuk and recognised in the consolidated profit or loss. Gains or losses from fair value changes are recognised in other comprehensive income after considering the difference between acquisition cost and unamortised nominal value and accumulated gains or losses of fair value that previously have been recognised in other comprehensive income, except for impairment losses and foreign exchange gains or losses, until the investment in sukuk is derecognised or reclassified. When the investment in sukuk is derecognised, accumulated gains or losses that have been recognised in other comprehensive income are reclassified to the consolidated profit or loss as reclassification adjustments. If there is an indication of impairment, the impairment losses recognised in consolidated profit or loss are the amount after considering the balance in other comprehensive income.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****r. Investment securities (continued)****Investments in sukuk measured at cost and measured at fair value through other comprehensive income (continued)****• Measured at fair value through other comprehensive income (continued)**

Investment in sukuk is classified as measured at fair value through other comprehensive income if:

- a. the investment is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the sukuk; and
- b. the contractual terms give rise on specified dates to payments of principal and/or the margin.

**s. Fixed assets**

Fixed assets are initially recognised at cost. Cost includes expenditures directly attributable to bring the assets for their intended use. Except for land, subsequent to initial measurement, all fixed assets are measured using cost model, which is cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated.

In 2016, the Group changed its accounting policy related to subsequent measurement of land from cost model to revaluation model. The change of accounting policy is implemented prospectively.

Land is presented at fair value, based on valuation performed by external independent valuers which are registered with OJK. Valuation of land is carried out by appraisers who have professional qualifications. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of revalued assets does not differ materially from their fair values at the reporting date.

Increases arising on the revaluation are credited to "revaluation surplus of fixed assets" as part of other comprehensive income. Decreases that offset previous increases of the same asset are debited against "revaluation surplus of fixed assets" as part of other comprehensive income, all other decreases are charged to the consolidated statement of profit or loss. At each reporting period, the difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss and depreciation based on the asset's original cost is transferred from "revaluation surplus of fixed assets" to retained earnings".

Costs relating to the acquisition of legal titles on the land rights are recognised as part of acquisition cost of land and not amortised, except there is evidence which indicates that the extension or renewal of land rights is probable or certainly not be obtained. The costs of extension or renewal of legal titles on the land rights are charged to consolidated profit or loss as incurred because the amount is not significant.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****s. Fixed assets (continued)**

Buildings are depreciated using the straight-line method over their estimated useful lives of 20 (twenty) years. Other fixed assets are depreciated over their estimated useful lives ranging from 2 (two) to 8 (eight) years using the double-declining balance method for the Bank and PT BCA Finance, and straight-line method for other Subsidiaries. The effect of such different depreciation method is not material to the consolidated financial statements. For all fixed assets, the Group has determined residual values to be "nil" for the calculation of depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Buildings under construction are stated at cost. The accumulated costs will be transferred to the buildings account when construction is completed and the buildings are ready for their intended use.

When assets are disposed, their acquisition cost and the related accumulated depreciation are eliminated from the consolidated statements of financial position, and the resulting gain or loss on the disposal of fixed assets is recognised in the current year consolidated profit or loss. When revalued assets are sold, the amounts included in equity are transferred to retained earnings.

At each reporting date, residual value, useful life and depreciation method are reviewed, and if required, will be adjusted and applied in accordance with the requirement of prevailing SFAS.

When the carrying amount of fixed assets is greater than its estimated recoverable amount, it is written down to its recoverable amount and the impairment loss is recognised in the current year consolidated profit or loss.

**t. Other assets**

Other assets include accrued interest income and fees and commissions received, foreclosed assets, abandoned property, inter-office accounts and others.

Foreclosed assets represent assets acquired by the Group, both from auction and non auction based on voluntary transfer by the debtor or based on debtor's approval to sell the collateral when the debtor could not fulfil their obligations to Bank and Subsidiaries. Foreclosed assets represent loan collateral that were taken over as part of loans settlement and presented in "Other Assets".

Abandoned properties represent the Group fixed assets in the form of properties which were not used for the Group business operational activity.

Foreclosed assets and abandoned properties are presented at their net realizable values. Net realizable value is the fair value of the repossessed assets less estimated costs to sale the foreclosed assets. Differences between the net realizable value and the proceeds from disposal of the repossessed assets are recognised as current year gain or loss at the year of disposal.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****t. Other assets (continued)**

Expenses for maintaining repossessed assets and abandoned properties are recognised in the current year consolidated statement of profit or loss and other comprehensive income as incurred. Any permanent impairment loss that occurred will be charged to the current year consolidated statement of profit or loss and other comprehensive income. Refer to Note 2h for changes in accounting policy to determine impairment losses on repossessed assets and abandoned properties.

**u. Intangible assets**

Intangible assets consist of software and goodwill.

Software

Software is stated at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as software. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Amortisation is recognised in consolidated statement of profit or loss using a double-declining balance method over the estimated useful economic life of 4 (four) years.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the amounts of the identifiable assets acquired and the liabilities assumed at the date of acquisition. Goodwill is tested at each reporting date for impairment and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each cash-generating unit (CGU), or group of CGUs, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. For Group accounting policy of impairment losses refer to Note 2h.

**v. Deposits from customers and other banks**

Deposits from customers are the fund trusted by customers (exclude banks) to the Bank based on fund deposits agreements. Included in this accounts are current accounts, saving accounts, time deposits and certificates of deposits.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## v. Deposits from customers and other banks (continued)

Deposits from other bank represent liabilities to other banks, both domestic and overseas banks, in the form of current and saving accounts, time deposits and inter-bank call money.

Deposits from customers and deposits from other banks are classified as financial liabilities at amortised cost. Incremental costs directly attributable to acquisition of deposits from customers and deposits from other banks are deducted from the amount of deposits from customers and deposits from other banks. Refer to Note 2g for the accounting policy of financial liabilities at amortised cost.

## w. Sharia Deposits

Sharia deposits are deposits from third parties in form of *wadiah* demand deposits and *wadiah* savings and *Sertifikat Investasi Mudharabah Antarbank* ("SIMA"). *Wadiah* demand deposits can be used as payment instrument, and can be withdrawn using cheque and payment slip. *Wadiah* demand deposits and *wadiah* savings are entitled to receive bonus in accordance with Subsidiary's policy. *Wadiah* demand deposits and *wadiah* savings are stated at the liabilities of the Subsidiary. Sharia deposits are classified as financial liabilities measured at amortised cost.

x. Temporary *syirkah* deposits

Temporary *syirkah* deposit is an investment with *mudharabah mutlaqah* agreement, where the owner of funds (*shahibul maal*) gives flexibility to fund manager (*mudharib*/Subsidiary) in managing the investment with the purpose that the returns are to be shared based on a pre-agreed basis. Temporary *syirkah* deposits consist of *mudharabah* saving deposit and *mudharabah* time deposits. These funds obtained by Subsidiary which has the right to manage and invest fund, according to Subsidiary's policy or limitation from fund holders, whereby gains are to be shared based on the agreement. In case that the decrease of temporary *syirkah* deposits was caused by normal losses, and not caused by willful default, negligence or breach of the agreement, the Subsidiary has no obligation to return or cover the fund losses or deficit.

*Mudharabah* saving deposits are deposits from third parties which are entitled to receive sharing revenue from Subsidiary for the utilisation of the funds with a pre-agreed and approved *nisbah*. *Mudharabah* saving deposits are stated at the liabilities to customers.

*Mudharabah* time deposits are deposits from third parties which can only be withdrawn at a specific time based on the agreement between holder of *mudharabah* time deposits and the Subsidiary. *Mudharabah* time deposits are stated at nominal amount based on the agreement between holder of *mudharabah* time deposits and the Subsidiary.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****x. Temporary *syirkah* deposits (continued)**

Temporary *syirkah* deposits can not be classified as liability. When the Subsidiary incurs losses, the Subsidiary does not possess any liability to return the initial fund amount from the fund owners except from negligence and default of the Subsidiary. Temporary *syirkah* deposits can not be classified as equity because it has maturity date and owners and it does not possess any ownership rights equal to shareholders as voting rights and rights of gain realisation from current assets and non-investment assets.

Temporary *syirkah* deposits is one of the elements of consolidated financial statements, it in accordance with sharia principle which give rights to Subsidiary to manage the fund, including blending the funds with other funds.

Owners of temporary *syirkah* deposits obtain part of gain as agreed and incur losses based on the amount from each parties. Revenue sharing of temporary *syirkah* deposits can be done by revenue sharing concept or profit sharing concept.

**y. Debt securities issued**

Debt securities issued by Subsidiary which consists of medium-term notes payable and bonds payable, are classified as other financial liabilities measured at amortised cost. Issuance costs in connection with the issuance of debt securities are recognised as discounts and directly deducted from the proceeds of debt securities issued and amortised over the period of debt securities using the effective interest method. Debt securities issued are classified as financial liabilities at amortised cost. Refer to Note 2g for the accounting policy of financial liabilities measured at amortised cost.

**z. Subordinated bonds**

Subordinated bonds are classified as financial liabilities measured at amortised cost. Incremental costs directly attributable to the issuance of subordinated bonds are deducted from the amount of subordinated bonds received. Refer to Note 2g for the accounting policy for financial liabilities at amortised cost.

**aa. Provision**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are determined by discounting the estimated future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****ab. Accrued expenses and other liabilities**

Accrued expenses and other liabilities consist of accrued interest expense, liabilities related to customers and insurance transactions, security deposits, unearned revenue and others.

**ac. Earning per share**

Basic earnings per share is computed based on net income for the current year attributable to equity holders of the parent entity divided by the weighted average number of outstanding issued and fully paid-up common shares during the year after considering the treasury stocks.

As of 31 December 2018 and 2017, there were no instruments which could potentially result in the issuance of common shares. Therefore, diluted earnings per share is equivalent to basic earnings per share.

**ad. Treasury stocks**

The Group uses cost method in recording the treasury stocks. Treasury stocks are recorded at reacquisition cost and presented as a deduction of equity in the consolidated statement of financial position.

When treasury stocks are sold, the Bank records the difference between reacquisition price and selling price of treasury stocks as additional paid-in capital from treasury stock transaction which is part of additional paid-in capital.

**ae. Interest income and expenses & sharia income and expenses**Interest income and expenses

Interest income and expenses are recognised in the consolidated profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes transaction costs (see Note 2g) and all fees and points paid or received that are an integral part of the effective interest rate.

Interest income and expenses presented in the consolidated statements of profit or loss and other comprehensive income include:

- interest on financial assets and liabilities at amortised cost calculated using the effective interest method; and
- interest on available-for-sale investment securities calculated using the effective interest method.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**ae. Interest income and expenses & sharia income and expenses** (continued)Interest income and expenses (continued)

Interest income on all trading financial assets are considered to be incidental to the Bank's trading operations and are presented as part of net trading income.

Interest income on the impaired financial assets continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment losses.

Sharia income and expenses

Sharia income consists of *murabahah* profit, *ijarah* revenue (leases), and profit sharing from *mudharabah* and *musyarakah* financing.

Recognition of *murabahah* transaction profit with deferred payment or installments is carried out during the contractual period in accordance with effective (annuity) method.

*Ijarah* revenue is recognised proportionally during the contractual period.

*Musyarakah* revenue sharing which is entitled to passive partner is recognised during the period in which the revenue occurs according to agreed *nisbah*.

*Mudharabah* revenue sharing is recognised during the period in which revenue sharing in accordance to agreed *nisbah* occurs, and not allowed to recognise revenue from projected business result.

Sharia expenses consist of *mudharabah* expense and *wadiah* bonus expense. Sharia expenses consist of expense for profit distribution on third party funds which are calculated using profit distribution principle in accordance with agreed sharing ratio (*nisbah*) based on *wadiah*, *mudharabah mutlaqah* and *mudharabah muqayyadah* principles.

**af. Fees and commission income and expenses**

Significant fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income and expenses, including export import related fees, cash management fees, service fees and/or related to a specific period and the amount is significant, are recognised as unearned income/prepaid expenses and amortised based on the straight-line method over the terms of the related transactions; otherwise, they are directly recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line method over the commitment period.

Other fees and commission expenses which are mainly related to inter-bank transaction fees are expensed as the services are received.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****ag. Net trading income**

Net trading income comprises of net gains or losses related to financial assets and liabilities held for trading, and includes interest income and expenses from all financial instruments held for trading and all realised and unrealised fair value changes and foreign exchange differences.

**ah. Obligation for post-employment benefits****ah.1. Short-term liability**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

**ah.2. Pension obligation**

Entities in the Group operate various pension schemes. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government Bonds (considering currently there is no deep market for high-quality corporate bonds) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****ah. Obligation for post-employment benefits (continued)****ah.2. Pension obligation (continued)**

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. They are included in retained earnings in the statement of changes in equity and in the consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of profit or loss as past service costs.

For defined contribution plans, the Group pays contributions to pension plans on a mandatory, contractual or voluntary basis. However, since Labour Law No. 13 of 2003 requires an entity to pay to a worker entering into pension age a certain amount based on, the worker's length of service, the Group is exposed to the possibility of having to make further payments to reach that certain amount in particular when the cumulative contributions are less than that amount. Consequently for financial reporting purposes, defined contribution plans are effectively treated as if they were defined benefit plans.

**ah.3. Other post-employment obligations**

Bank provide post-retirement healthcare benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using projected unit credit method. These obligations are valued annually by independent qualified actuaries.

**ah.4. Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the Group recognises costs for a restructuring that is within the scope of SFAS 57 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****ai. Current and deferred income tax**

Income tax expense comprises of current and deferred taxes. Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in annual tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences which arise from the difference between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****aj. Operating segment**

An operating segment is a component of the entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the entity's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of head office expenses, fixed assets, income tax assets/liabilities, including current and deferred taxes.

The Group manages their businesses and identify reporting segment based on geographic region and product. Several regions have similar characteristics, have been aggregated and evaluated regularly by management. Gains/losses from each segment is used to assess the performance of each segment.

**ak. Related parties transactions**

The Group has transactions with related parties. In accordance with SFAS 7 (Revised 2015) - Related Party Disclosure, the meaning of a related party is a person or entity that is related to a reporting entity as follow:

- a. A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is member of the key management personnel of the reporting entity or a parent of the reporting entity;
- b. An entity is related to a reporting entity if any of the following conditions applies:
  - i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of member of a company of which the other entity is a member);
  - iii. both entities are joint ventures of the same third party;
  - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity;
  - vi. the entity controlled or jointly controlled by a person identified in (a);
  - vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The nature of transactions and balances of accounts with related parties are disclosed in the Note 47.

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**3. USE OF ESTIMATES AND JUDGMENT**

This disclosure supplements the commentary on financial risk management (see Note 42).

**a. Key sources of estimation uncertainty****a.1. Allowance for impairment losses of financial assets**

Financial assets accounted for at amortised cost are evaluated for impairment on the basis described in Note 2g.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy, and estimated cash flows considered recoverable are independently approved by the credit risk unit.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of receivables with similar economic characteristics when there is an objective evidence to suggest that they contain impaired receivables, but the individual impaired items cannot yet be identified. In assessing the need for collective allowances, management considers factors such as credit quality, portfolio size, credit concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experiences and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters are used in determining collective allowances.

**a.2. Determining fair values of financial instruments**

In determining the fair value of financial assets and liabilities for which there is no observable market price, the Group must use the valuation techniques as described in Note 2g. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks.

**a.3. Post-employment benefits obligations**

Present value of retirement obligations depends on several factors which determined by actuarial basis using several assumptions. Assumptions used to determine expenses/(revenues) of net pension including discount rate and future salary growth. Any changes on these assumptions will affect the recorded amount of pension obligations.



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**3. USE OF ESTIMATES AND JUDGMENT (continued)****b. Critical accounting judgments in applying the Group accounting policy**

Critical accounting judgments made in applying the Group accounting policies include:

**b.1. Valuation of financial instruments**

The Group accounting policies on fair value measurements are discussed in Note 2g.

Information regarding the fair value of financial instruments is disclosed in Note 37.

**b.2. Financial asset and liability classification**

The Group accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets and financial liabilities as “held for trading”, the Group has determined that they meet the description of trading assets as set out in Note 2g.
- In classifying financial assets as “held-to-maturity”, the Group has determined that the Group has both the positive intention and ability to hold those assets until their maturity date as required (see Note 2g).
- In classifying investment in sukuk as “measured at cost” and “measured at fair value through other comprehensive income”, the Group has determined that the investment meets the classification requirements as set out in Note 2r.

**4. CASH**

	<u>2018</u>	<u>2017</u>
Rupiah	20,864,362	15,867,985
Foreign currencies	827,081	886,304
	<u>21,691,443</u>	<u>16,754,289</u>

The balance of cash in Rupiah includes cash in Automatic Teller Machines (“ATM”) amounting to Rp 10,419,800 and Rp 11,090,344 as of 31 December 2018 and 2017, respectively.

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**5. CURRENT ACCOUNTS WITH BANK INDONESIA**

	<u>2018</u>	<u>2017</u>
Rupiah	38,663,678	38,742,327
Foreign currencies	4,884,631	4,730,425
	<u>43,548,309</u>	<u>43,472,752</u>

Weighted average effective interest rates per annum of current accounts with Bank Indonesia denominated in Rupiah as of 31 December 2018 and 2017 were 0.68% and 1.60%, respectively.

The balance of current accounts with Bank Indonesia is maintained to fulfill the Minimum Statutory Reserve from Bank Indonesia.

As of 31 December 2018 and 2017, the Bank has complied with Bank Indonesia's regulation regarding the Minimum Statutory Reserve of Commercial Banks.

	<u>2018</u>	<u>2017</u>
Rupiah		
Primary Minimum Statutory Reserve	6.55%	7.04%
Macroprudential Intermediation Ratio (MIR)/ Loan to Funding Ratio (LFR) *)		
Minimum Statutory Reserve	-	0.49%
Macroprudential Liquidity Buffer (MLB)/ Secondary Minimum Statutory Reserve	11.88%	19.29%
Foreign currencies		
Primary Minimum Statutory Reserve	8.41%	8.49%

\*) In accordance with Bank Indonesia's Regulation PBI No. 20/4/PBI/2018 dated 3 April 2018 LFR Minimum Statutory Reserve has been changed to MIR Minimum Statutory Reserve. As of 31 December 2018, MIR Minimum Statutory Reserve of the Bank was nil due to the Bank has fulfilled the minimum requirement.

In 2017, the Bank was required to fulfill Loan to Funding Ratio (LFR) Minimum Statutory Reserve because the Bank's LFR was below 80%.

Macroprudential Liquidity Buffer (MLB)/Secondary Minimum Statutory Reserve in the form of Certificates of Bank Indonesia, Certificates Deposits of Bank Indonesia, Government Bonds, Sharia Government Securities and excess funds are above the Minimum Statutory Reserve (excess reserve).

Information on the classification and fair value of current accounts with Bank Indonesia is disclosed in Note 37. Information on the maturity of current accounts with Bank Indonesia is disclosed in Note 43.

**6. CURRENT ACCOUNTS WITH OTHER BANKS**

	<u>2018</u>	<u>2017</u>
Rupiah	10,535	148,151
Foreign currencies	8,487,403	8,945,421
	<u>8,497,938</u>	<u>9,093,572</u>

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**6. CURRENT ACCOUNTS WITH OTHER BANKS (continued)**

Details of current accounts with other banks by counterparty as of 31 December 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
JPMorgan Chase Bank	3,596,278	3,411,896
Wells Fargo Bank, N.A.	978,948	607,654
United Overseas Bank Limited, Co.	698,008	240,509
DBS Bank	654,832	773,758
GBC International Bank	284,087	167,019
The Bank of New York Mellon Corporation	253,468	396,189
Bank of China	251,571	354,098
Sumitomo Mitsui Banking Corporation Limited	201,751	253,906
Standard Chartered Bank	197,707	557,195
Oversea-Chinese Banking Corporation Limited	196,919	414,351
PT Bank Mandiri (Persero) Tbk	150,547	380,195
Westpac Banking Corporation	132,434	87,764
ING Bank	121,090	153,101
Barclays Bank PLC	97,230	37,458
Euroclear Bank	68,846	156,102
Royal Bank of Scotland PLC – London Branch	66,354	32,705
Citibank, N.A.	63,216	377,882
PT Bank ICBC Indonesia	57,826	50,485
The Bank of Tokyo Mitsubishi UFJ, Ltd	51,213	45,468
National Australia Bank Limited	47,788	68,696
The Hongkong and Shanghai Banking Corporation Limited	40,059	35,633
KB Kookmin Bank	35,586	28,213
PT Bank Mizuho Indonesia	35,076	35,851
Bank of America, N.A.	27,566	97,296
PT Bank Rabobank International Indonesia	9,034	19,376
PT Bank Tabungan Pensiunan Nasional Tbk	27	126,163
Others	180,477	184,609
	<u>8,497,938</u>	<u>9,093,572</u>

As of 31 December 2018 and 2017, the Bank did not have balances of current accounts with other banks from related party.

Current accounts with foreign banks are placed in several countries.

Weighted average effective interest rates per annum of current accounts with other banks were as follows:

	<u>2018</u>	<u>2017</u>
Rupiah	5.22%	4.77%
Foreign currencies	1.38%	0.69%



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## 7. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)

Details of placements with Bank Indonesia and other banks by counterparty as of 31 December 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Bank Indonesia	21,170,352	9,411,567
PT Bank Mandiri (Persero) Tbk	1,516,280	980,760
PT Bank Sumitomo Mitsui Indonesia	1,186,385	1,677,450
PT Bank Negara Indonesia (Persero) Tbk	1,074,330	1,712,640
PT Bank HSBC Indonesia	800,000	-
Mizuho Bank, Ltd. Hongkong Branch	575,200	-
PT Bank Pembangunan Daerah Jawa Barat & Banten Tbk	555,629	517,716
PT Bank KEB Hana Indonesia	530,577	341,500
PT Bank DKI	530,000	64,000
PT Bank Woori Saudara Indonesia 1906 Tbk	389,485	142,380
PT Bank CTBC Indonesia	359,100	196,000
Sumitomo Mitsui Banking Corporation - Singapore	315,033	381,391
PT Shinhan Bank Indonesia	298,600	-
PT Bank Rakyat Indonesia Tbk	281,000	185,000
PT Bank Pembangunan Daerah Riau Kepri	270,000	-
The Bank of Tokyo Mitsubishi - UFJ, Ltd - Jakarta Branch	220,000	-
Citibank, N.A. - Indonesia Branch	220,000	-
PT Bank Tabungan Pensiunan Nasional Tbk	188,605	123,800
PT Bank Pembangunan Daerah Jambi Tbk	150,000	50,000
PT Bank Pembangunan Daerah Jawa Tengah Tbk	146,400	50,000
PT Bank Tabungan Negara Tbk	145,950	290,520
PT Bank Commonwealth	140,775	76,936
PT Bank DBS Indonesia	100,101	-
Bangkok Bank Public Company Limited Indonesia	100,000	-
PT Bank Mizuho Indonesia	97,080	-
PT Bank Maybank Indonesia Tbk	92,860	11,500
PT Bank Danamon Indonesia Tbk	1,386	76,289
Deutsche Bank AG - Jakarta Branch	-	500,000
PT Bank OCBC NISP Tbk	-	84,100
Bank of America, N.A. - Jakarta Branch	-	520,000
PT Bank Panin Dubai Syariah Tbk	-	50,000
PT Bank CIMB Niaga Tbk	-	352,740
Standard Chartered Bank - Indonesia Branch	-	400,000
PT Bank UOB Indonesia	-	100,959
PT Bank Muamalat Indonesia Tbk	-	95,000
PT Bank Pan Indonesia Tbk	-	500,000
Others	227,683	77,434
	<u>31,682,811</u>	<u>18,969,682</u>

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**7. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)**

As of 31 December 2018 and 2017, the Group did not have balances of placements with other banks from related party.

The movement of unrealised gains (losses) from the change in fair value of available-for-sale placements with other banks was as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year - before deferred income tax	43,160	(2,271)
Addition of unrealised (losses) gains during the year - net	(47,292)	45,776
Realised gains (losses) during the year - net	263	(345)
Total before deferred income tax	(3,869)	43,160
Deferred income tax (Note 20)	774	(10,790)
<b>Balance, end of year - net</b>	<u>(3,095)</u>	<u>32,370</u>

Weighted average effective interest rates per annum of placements with Bank Indonesia and other banks were as follows:

	<u>2018</u>	<u>2017</u>
Bank Indonesia and call money:		
Rupiah	5.46%	4.63%
Foreign currencies	2.05%	1.12%
Time deposits:		
Rupiah	5.80%	6.65%
Foreign currencies	2.96%	3.09%
Certificates of deposits:		
Rupiah	7.04%	7.39%

The range of contractual interest rates of time deposits owned by the Bank in Rupiah currency during the years ended 31 December 2018 and 2017 were 3.10% - 8.50% and 2.75% - 8.00%, while the range of contractual interest rates of time deposits owned by the Bank in foreign currencies were 1.00% - 3.70% and 0.40% - 5.20% during the years ended 31 December 2018 and 2017.

As of 31 December 2018 and 2017, there were no placements with Bank Indonesia and other banks which were used as collateral for securities trading transactions.

As of 31 December 2018 and 2017, all placements with Bank Indonesia and other banks were classified as current and management believes that the impairment losses of placements with Bank Indonesia and other banks as of 31 December 2018 and 2017 were not required.

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**7. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)**

Information on the classification and fair value of placements with Bank Indonesia and other banks is disclosed in Note 37. Information on the maturity of placements with Bank Indonesia and other banks is disclosed in Note 43.

**8. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING**

Financial assets and liabilities held for trading consist of:

	2018		2017	
	Nominal value	Fair value	Nominal value	Fair value
<b>Financial assets:</b>				
<b>Securities</b>				
Government bonds	130,075	131,332	187,974	188,707
Sukuk	21,266	20,986	170,260	171,038
Certificates Deposits of				
Bank Indonesia	-	-	4,500,000	4,422,000
Bank Indonesia Treasury Bills	1,438,000	1,421,693	407,025	405,967
Government Treasury Bills	3,101,588	3,083,474	650,000	649,505
Sharia Government Treasury Bills	60,000	59,670	-	-
Corporate bonds	40,550	40,616	-	-
Shares	-	24,321	-	5,835
	4,791,479	4,782,092	5,915,259	5,843,052
<b>Placements with other banks</b>				
Certificates of Deposits	20,000	19,776	50,000	47,875
<b>Derivative assets</b>				
Forward		112,569		28,481
Currency swap		921,192		93,985
Spot		6,195		1,909
		1,039,956		124,375
		5,841,824		6,015,302
<b>Financial liabilities:</b>				
<b>Derivative liabilities</b>				
Forward		74,695		12,180
Currency swap		102,778		39,071
Spot		11,461		2,592
		188,934		53,843

As of 31 December 2018 and 2017, the Group did not have balances of financial assets and liabilities held for trading from and to related party.

During 2018 and 2017, there was no reclassification of financial instruments held for trading.

Information on the classification and fair value of financial assets and liabilities held for trading is disclosed in Note 37. Information on the maturity of financial assets and liabilities held for trading is disclosed in Note 43.

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**9. ACCEPTANCE RECEIVABLES AND PAYABLES**

a. The details of acceptance receivables

	<u>2018</u>	<u>2017</u>
<u>Rupiah</u>		
Non-bank debtors	3,440,583	2,461,203
Other banks	261,490	307,870
	<u>3,702,073</u>	<u>2,769,073</u>
Less:		
Allowance for impairment losses	(120,959)	(159,091)
	<u>3,581,114</u>	<u>2,609,982</u>
<u>Foreign currencies</u>		
Non-bank debtors	8,001,645	7,204,326
Other banks	214,417	342,669
	<u>8,216,062</u>	<u>7,546,995</u>
Less:		
Allowance for impairment losses	(214,891)	(257,551)
	<u>8,001,171</u>	<u>7,289,444</u>
Total acceptance receivables - net	<u>11,582,285</u>	<u>9,899,426</u>

b. The details of acceptance payables

	<u>2018</u>	<u>2017</u>
<u>Rupiah</u>		
Non-bank debtors	392,508	397,371
Other banks	459,880	263,341
	<u>852,388</u>	<u>660,712</u>
<u>Foreign currencies</u>		
Non-bank debtors	214,417	342,669
Other banks	4,776,681	4,797,096
	<u>4,991,098</u>	<u>5,139,765</u>
Total acceptance payables - net	<u>5,843,486</u>	<u>5,800,477</u>

c. The movement of allowance for impairment losses of acceptance receivables

	<u>31 December 2018</u>		
	<u>Rupiah</u>	<u>Foreign currencies</u>	<u>Total</u>
Balance, beginning of year	(159,091)	(257,551)	(416,642)
Reversal of allowance during the year	38,132	46,992	85,124
Exchange rate difference arising from allowance for impairment losses denominated in foreign currencies	-	(4,332)	(4,332)
Balance, end of year	<u>(120,959)</u>	<u>(214,891)</u>	<u>(335,850)</u>



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**9. ACCEPTANCE RECEIVABLES AND PAYABLES (continued)**

- c. The movement of allowance for impairment losses of acceptance receivables (continued)

	<b>31 December 2017</b>		
	<b>Rupiah</b>	<b>Foreign currencies</b>	<b>Total</b>
Balance, beginning of year	(66,610)	(111,918)	(178,528)
Addition of allowance during the year	(92,481)	(144,764)	(237,245)
Exchange rate difference arising from allowance for impairment losses denominated in foreign currencies	-	(869)	(869)
Balance, end of year	(159,091)	(257,551)	(416,642)

Management believes that the allowance for impairment losses provided was adequate to cover possible losses on uncollectible acceptance receivables.

As of 31 December 2018 and 2017, the Bank did not have balances of acceptance receivables and payables from and to related party.

Information on the classification and fair value of acceptance receivables and payables is disclosed in Note 37. Information on the maturity of acceptance receivables and payables is disclosed in Note 43.

**10. BILLS RECEIVABLE**

- a. The details of bills receivable

	<b>2018</b>	<b>2017</b>
<u>Rupiah</u>		
Non-bank debtors	368,336	174,059
Other banks	5,554,928	3,680,132
	5,923,264	3,854,191
Less:		
Allowance for impairment losses	(60)	(126)
	5,923,204	3,854,065
<u>Foreign currencies</u>		
Non-bank debtors	824,427	443,864
Other banks	1,858,692	2,321,122
	2,683,119	2,764,986
Less:		
Allowance for impairment losses	(5,614)	(4,696)
	2,677,505	2,760,290
Total bills receivables - net	8,600,709	6,614,355

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## 10. BILLS RECEIVABLE (continued)

b. The movement of allowance for impairment losses of bills receivables

	31 December 2018		
	Rupiah	Foreign currencies	Total
Balance, beginning of year	(126)	(4,696)	(4,822)
Reversal of allowance during the year	66	606	672
Exchange rate difference arising from allowance for impairment losses denominated in foreign currencies	-	(1,524)	(1,524)
Balance, end of year	(60)	(5,614)	(5,674)

  

	31 December 2017		
	Rupiah	Foreign currencies	Total
Balance, beginning of year	(3)	(3,016)	(3,019)
Addition of allowance during the year	(123)	(1,553)	(1,676)
Exchange rate difference arising from allowance for impairment losses denominated in foreign currencies	-	(127)	(127)
Balance, end of year	(126)	(4,696)	(4,822)

Management believes that the allowance for impairment losses provided was adequate to cover possible losses on uncollectible bills receivables.

As of 31 December 2018 and 2017, the Bank did not have balances of bills receivables from and to related party.

Weighted average effective interest rates per annum of bills receivable were as follows:

	2018	2017
Rupiah	9.76%	11.36%
Foreign currencies	3.11%	2.71%

Information on the classification and fair value of bills receivables is disclosed in Note 37. Information on the maturity of bills receivables is disclosed in Note 43.

## 11. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

This account represents receivables to Bank Indonesia, other banks and third party for securities purchased with agreements to resell with details as follows:

	2018					
	Range of purchase date	Range of sale date	Resell price	Deferred interest income	Allowance for impairment losses	Carrying value
Transactions with Bank Indonesia:						
Underlying instruments:						
Government bonds	24 Aug 18	22 Feb 19	4,021,479	(35,099)	-	3,986,380
			4,021,479	(35,099)	-	3,986,380
Transactions with other banks:						
Underlying instruments:						
Government Treasury Bills	10 - 18 Dec 18	10 - 18 Jan 19	1,006,016	(2,698)	-	1,003,318
Government bonds	10 - 27 Dec 18	2 - 21 Jan 19	4,114,010	(7,457)	-	4,106,553
Certificates of Bank Indonesia	11 Dec 18	11 Jan 19	85,941	(174)	-	85,767
			5,205,967	(10,329)	-	5,195,638
Transactions with third parties:						
Underlying instruments:						
Shares	4 Sep - 26 Dec 18	4 Sep - 30 Dec 19	33,976	(3,310)	-	30,666
			33,976	(3,310)	-	30,666
			9,261,422	(48,738)	-	9,212,684

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**11. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (continued)**

2017						
	Range of purchase date	Range of sale date	Resell price	Deferred interest income	Allowance for impairment losses	Carrying value
Transactions with Bank Indonesia:						
Underlying instruments:						
Government Treasury Bills	13 Oct 17	12 Jan 18	1,980,695	(2,872)	-	1,977,823
Government treasury bills - sharia	13 - 27 Oct 17	10 - 24 Jan 18	276,630	(723)	-	275,907
Government bonds	13 Oct 17	12 Jan 18	1,933,964	(2,822)	-	1,931,142
			4,191,289	(6,417)	-	4,184,872
Transactions with other banks:						
Underlying instruments:						
Government bonds	12 - 20 Dec 17	12 - 22 Jan 18	1,633,224	(4,047)	-	1,629,177
Certificates Deposits of Bank Indonesia	3 Nov - 21 Dec 17	4 Jan - 30 May 18	3,214,687	(22,848)	-	3,191,839
			4,847,911	(26,895)	-	4,821,016
Transactions with third parties:						
Underlying instruments:						
Shares	8 Nov - 8 Dec 17	8 Feb - 10 Sep 18	268,720	(12,982)	(2,859)	252,879
			268,720	(12,982)	(2,859)	252,879
			9,307,920	(46,294)	(2,859)	9,258,767

The movement of allowance for impairment losses on securities purchased under agreements to resell was as follows:

	2018	2017
Balance, beginning of year	(2,859)	(2,499)
Reversal (addition) of allowance during the year	2,859	(360)
Balance, end of year	-	(2,859)

Management believes that the allowance for impairment losses provided was adequate to cover possible losses on uncollectible securities purchased under agreements to resell.

All securities purchased under agreements to resell as of 31 December 2018 and 2017 were denominated in Rupiah currency.

As of 31 December 2018 and 2017, the Bank did not have balances of securities purchased under agreements to resell with related party.

Weighted average effective interest rates per annum of securities purchased under agreements to resell for the years ended 31 December 2018 and 2017 were 5.59% and 5.23%, respectively.

Information on the classification and fair value of securities purchased under agreements to resell is disclosed in Note 37. Information on the maturity of securities purchased under agreements to resell is disclosed in Note 43.

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**12. LOANS RECEIVABLE**

Loans receivable consisted of:

a. By type and currency

	<u>2018</u>	<u>2017</u>
<u>Rupiah</u>		
Related parties:		
Working capital	3,155,730	3,495,521
Investment	40,891	35,892
Consumer	15,772	5,896
	<u>3,212,393</u>	<u>3,537,309</u>
Third parties:		
Working capital	230,316,130	198,424,369
Investment	137,788,190	111,502,056
Consumer	118,761,632	111,321,576
Credit card	12,893,102	11,527,879
Employee loans	2,927,120	2,826,610
	<u>502,686,174</u>	<u>435,602,490</u>
	<u>505,898,567</u>	<u>439,139,799</u>
<u>Foreign currencies</u>		
Related parties:		
Working capital	-	20,351
Investment	3,870	14,782
	<u>3,870</u>	<u>35,133</u>
Third parties:		
Working capital	21,850,656	18,663,219
Investment	10,346,355	9,670,674
	<u>32,197,011</u>	<u>28,333,893</u>
	<u>32,200,881</u>	<u>28,369,026</u>
Total loans receivable	538,099,448	467,508,825
Less: Allowance for impairment losses		
Rupiah	(12,911,461)	(12,569,024)
Foreign currencies	(657,525)	(674,845)
	<u>(13,568,986)</u>	<u>(13,243,869)</u>
Total loans receivable - net	<u>524,530,462</u>	<u>454,264,956</u>

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**12. LOANS RECEIVABLE (continued)**

Loans receivable consisted of: (continued)

## b. By economic sector and Bank Indonesia's collectability

	2018						Total
	Current	Special mention	Sub-standard	Doubtful	Loss	Allowance for impairment losses	
<u>Rupiah</u>							
Manufacturing	94,884,475	1,975,019	25,022	26,273	251,742	(2,647,524)	94,515,007
Business services	58,591,295	924,538	663	40,189	281,987	(1,002,303)	58,836,369
Trading, restaurants and hotels	121,948,367	1,613,053	1,102,113	799,393	1,707,866	(4,862,646)	122,308,146
Agriculture and agricultural facilities	24,034,460	110,208	541	4,360	17,134	(300,829)	23,865,874
Construction	14,524,648	48,321	380	5,619	574,674	(870,985)	14,282,657
Transportation, warehousing and communications	21,799,519	284,773	94,721	35,206	624,572	(1,039,353)	21,799,438
Social/public services	7,684,885	90,995	1,641	3,143	16,047	(125,542)	7,671,169
Mining	1,489,447	1,392	-	-	15,848	(31,198)	1,475,489
Electricity, gas, and water	15,629,828	6,445	-	76	18,478	(55,969)	15,598,858
Others	128,477,188	4,557,597	249,534	271,201	1,053,691	(1,975,112)	132,634,099
	489,064,112	9,612,341	1,474,615	1,185,460	4,562,039	(12,911,461)	492,987,106
<u>Foreign currencies</u>							
Manufacturing	12,752,288	53,549	-	-	-	(186,868)	12,618,969
Business services	3,309,989	-	-	-	-	(3,793)	3,306,196
Trading, restaurants and hotels	5,419,735	716	34,298	-	18,830	(128,968)	5,344,611
Agriculture and agricultural facilities	6,885,573	-	-	-	-	(15,605)	6,869,968
Construction	20,050	-	-	-	-	(1)	20,049
Transportation, warehousing and communications	724,347	-	168,815	-	149,997	(307,948)	735,211
Social/public services	18,276	-	-	-	-	(142)	18,134
Mining	2,305,291	-	-	-	-	(10,421)	2,294,870
Electricity, gas, and water	339,127	-	-	-	-	(3,779)	335,348
	31,774,676	54,265	203,113	-	168,827	(657,525)	31,543,356
Total	520,838,788	9,666,606	1,677,728	1,185,460	4,730,866	(13,568,986)	524,530,462

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**12. LOANS RECEIVABLE (continued)**

Loans receivable consisted of: (continued)

## b. By economic sector and Bank Indonesia's collectability (continued)

	2017						
	Current	Special mention	Sub-standard	Doubtful	Loss	Allowance for impairment losses	Total
<b>Rupiah</b>							
Manufacturing	82,144,649	460,534	23,920	22,605	427,736	(2,666,277)	80,413,167
Business services	44,993,752	827,323	944	603	280,758	(887,903)	45,215,477
Trading, restaurants and hotels	112,074,805	926,662	333,418	270,022	1,796,351	(4,760,828)	110,640,430
Agriculture and agricultural facilities	18,990,104	31,472	218	77	147,195	(273,415)	18,895,651
Construction	10,216,022	23,305	688,234	4,017	137,366	(624,468)	10,444,476
Transportation, warehousing and communications	17,457,242	360,737	553,561	42,655	386,203	(1,366,485)	17,433,913
Social/public services	6,000,909	29,123	136	35,294	15,038	(149,503)	5,930,997
Mining	628,784	247	1,428	43	65,764	(88,264)	608,002
Electricity, gas, and water	13,026,053	212	-	22	20,263	(58,640)	12,987,910
Others	120,410,012	4,000,123	213,045	272,743	798,070	(1,693,241)	124,000,752
	425,942,332	6,659,738	1,814,904	648,081	4,074,744	(12,569,024)	426,570,775
<b>Foreign currencies</b>							
Manufacturing	11,524,149	62,162	-	-	-	(98,919)	11,487,392
Business services	2,582,754	-	-	-	-	(5,621)	2,577,133
Trading, restaurants and hotels	5,005,965	-	-	38,276	17,721	(95,112)	4,966,850
Agriculture and agricultural facilities	7,593,522	-	-	-	-	(15,805)	7,577,717
Construction	20,288	-	-	-	-	(5)	20,283
Transportation, warehousing and communications	687,722	-	171,307	-	180,300	(349,166)	690,163
Social/public services	60,571	-	-	-	-	(1,002)	59,569
Mining	103,971	-	-	-	-	(4,759)	99,212
Electricity, gas, and water	320,318	-	-	-	-	(104,456)	215,862
	27,899,260	62,162	171,307	38,276	198,021	(674,845)	27,694,181
<b>Total</b>	<b>453,841,592</b>	<b>6,721,900</b>	<b>1,986,211</b>	<b>686,357</b>	<b>4,272,765</b>	<b>(13,243,869)</b>	<b>454,264,956</b>

## c. By maturity

Loans receivable by maturity period based on loan agreements:

	2018	2017
<b>Rupiah</b>		
Up to 1 year	195,172,663	165,711,094
> 1 - 5 years	97,618,748	88,388,486
> 5 years	213,866,760	185,727,971
	506,658,171	439,827,551
<b>Foreign currencies</b>		
Up to 1 year	16,080,959	15,833,381
> 1 - 5 years	7,852,752	5,261,231
> 5 years	8,264,430	7,272,742
	32,198,141	28,367,354
<b>Total loans receivable</b>	<b>538,856,312</b>	<b>468,194,905</b>
Less:		
Deferred provision and commission income*)	(756,864)	(686,080)
Allowance for impairment losses	(13,568,986)	(13,243,869)
<b>Total loans receivable - net</b>	<b>524,530,462</b>	<b>454,264,956</b>

\*) Deferred provision and commission income represent all provisions, commissions and other fees received by the Bank on loan agreements, which are integral part of effective interest rate.

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**12. LOANS RECEIVABLE (continued)**

Loans receivable consisted of: (continued)

d. Syndicated loans

Syndicated loans represent loans provided to debtors under syndication agreements with other banks. Syndicated loans with risk sharing participation to the Bank's financing were as follows:

	<u>2018</u>	<u>2017</u>
Bank's participation as participant, ranged between 2.78% - 50.00% and 2.78% - 33.33%, respectively, for the years ended 31 December 2018 and 2017, with outstanding balance of Rp 15,277,584 and USD 81,823,569 as of 31 December 2018 (2017: Rp 9,402,857 and USD 148,738,783)	16,454,207	11,420,871
Bank's participation as arranger, ranged between 10.86% - 85.00% and 5.00% - 50.00% respectively, for the years ended 31 December 2018 and 2017, with outstanding balance of Rp 15,382,064 and USD 50,242,545 as of 31 December 2018 (2017: Rp 14,293,654 and USD 3,150,000)	16,104,552	14,336,392
	<u>32,558,759</u>	<u>25,757,263</u>

e. Restructured loans

The amount of restructured loans by the Bank up to 31 December 2018 and 2017 amounting to Rp 7,985,984 and Rp 6,568,422, respectively. Credit restructuring carried out by modifying credit terms, deduction or amnesty of part of outstanding credit balance and/or both. For the restructured credit, Bank is not committed to provide additional credit facilities.

Below are the amount of restructured loans based on collectibility:

	<u>2018</u>	<u>2017</u>
Current	2,903,323	3,141,037
Special mention	2,746,858	1,230,394
Sub-standard	1,167,816	726,078
Doubtful	173,430	274,381
Loss	994,557	1,196,532
	<u>7,985,984</u>	<u>6,568,422</u>

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**12. LOANS RECEIVABLE (continued)**

Loans receivable consisted of: (continued)

e. Restructured loans (continued)

Total restructured loans and under non-performing loans (NPL) category as of December 2018 and 2017 are amounting to Rp 2,335,803 and Rp 2,196,991, respectively.

f. The movement of allowance for impairment losses on loans receivable

	2018						
	Collective impairment losses			Individual impairment losses			Total
	Rupiah	Foreign currencies	Sub-total	Rupiah	Foreign currencies	Sub-total	
Balance, beginning of year	(9,311,601)	(320,787)	(9,632,388)	(3,257,423)	(354,058)	(3,611,481)	(13,243,869)
(Addition) reversal of allowance during the year	(1,133,631)	15,567	(1,118,064)	(1,532,403)	5,410	(1,526,993)	(2,645,057)
Loans written-off during the year	1,083,709	-	1,083,709	1,382,109	31,832	1,413,941	2,497,650
Recoveries on loans previously written-off	(98,461)	-	(98,461)	(43,760)	(4,968)	(48,728)	(147,189)
Exchange rate difference	-	(18,960)	(18,960)	-	(11,561)	(11,561)	(30,521)
Balance, end of year	(9,459,984)	(324,180)	(9,784,164)	(3,451,477)	(333,345)	(3,784,822)	(13,568,986)

  

	2017						
	Collective impairment losses			Individual impairment losses			Total
	Rupiah	Foreign currencies	Sub-total	Rupiah	Foreign currencies	Sub-total	
Balance, beginning of year	(8,849,831)	(367,596)	(9,217,427)	(2,930,491)	(357,106)	(3,287,597)	(12,505,024)
(Addition) reversal of allowance during the year	(1,320,391)	49,057	(1,271,334)	(566,863)	6,384	(560,479)	(1,831,813)
Loans written-off during the year	955,142	-	955,142	378,577	-	378,577	1,333,719
Recoveries on loans previously written-off	(96,521)	-	(96,521)	(138,646)	-	(138,646)	(235,167)
Exchange rate difference	-	(2,248)	(2,248)	-	(3,336)	(3,336)	(5,584)
Balance, end of year	(9,311,601)	(320,787)	(9,632,388)	(3,257,423)	(354,058)	(3,611,481)	(13,243,869)

Management believes that allowance for impairment losses provided was adequate to cover possible losses on uncollectible loans receivable.

As of 31 December 2018 and 2017, allowance for collective impairment losses on loans receivable to related parties amounting to Rp 2,935 and Rp 3,815, respectively.

g. Joint financing

The Bank entered into joint financing agreements with PT BCA Finance and PT Central Santosa Finance, Subsidiaries for financing the purchase of vehicles. All risks from the loss arising from these joint financing facilities will be borne proportionally by both parties based on respective financing participation (without recourse). The Bank's portion of outstanding balance of joint financing receivable facilities as of 31 December 2018 and 2017 were Rp 45,715,510 and Rp 43,357,868, respectively.



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**12. LOANS RECEIVABLE** (continued)

Loans receivable consisted of: (continued)

h. The carrying amount of loans receivable at amortised cost are as follows:

	<u>2018</u>	<u>2017</u>
Loans receivable (Note 12c)	538,856,312	468,194,905
Accrued interest income	2,226,779	1,819,889
Deferred provision and commission income	(756,864)	(686,080)
Allowance for impairment losses (Note 12f)	(13,568,986)	(13,243,869)
	<u>526,757,241</u>	<u>456,084,845</u>

i. Other significant information relating to loans receivable

As of 31 December 2018 and 2017, the Bank had no loans receivable which were pledged as collaterals.

Demand deposits, saving deposits and time deposits pledged as collateral for loans receivable amounting to Rp 11,647,739 and Rp 11,379,473, respectively, as of 31 December 2018 and 2017 (see Note 19).

As of 31 December 2018 and 2017, the Bank at individual level and at consolidated level, complied with Legal Lending Limit (“LLL”) requirements for both related parties and third parties.

Employee loans are loans given to Bank’s employees with interest rate at 4% per annum for housing loans, motor vehicle loans, and loans for other purposes and the terms between 8 years to 20 years. Repayment of principal and interest which will be effected through monthly salary deductions. The difference between the rate and market rate will be recognised as subsidy and recorded as other assets, also amortised over the life of the loans.

Weighted average effective interest rates per annum of loans receivable were as follows:

	<u>2018</u>	<u>2017</u>
Rupiah	9.18%	9.78%
Foreign currencies	3.95%	3.56%

Ratio of small enterprises loans to loans receivable as of 31 December 2018 and 2017 was 1.84% and 1.77%, respectively.

The Bank’s non-performing loans (classified as sub-standard, doubtful and loss) as of 31 December 2018 and 2017 amounting to Rp 7,593,637 and Rp 6,944,916, respectively.

As of 31 December 2018, the ratio of gross non-performing loan (“NPL”) and net NPL was 1.41% and 0.45% (2017: 1.49% and 0.45%), which was calculated based on prevailing Bank Indonesia Regulations.

Information on the classification and fair value of loans receivable is disclosed in Note 37. Information on the details of loans receivable by geographic region is disclosed in Note 41. Information on the maturity of loan receivables is disclosed in Note 43.

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**13. CONSUMER FINANCING RECEIVABLES**

The Subsidiaries' consumer financing receivables at amortised cost were as follows:

	<u>2018</u>	<u>2017</u>
Consumer financing receivables		
- Self-financing by Subsidiaries	6,708,817	7,750,109
- Share in joint financing with related parties without recourse	6,538,859	6,375,154
Unamortised transaction cost - net	(602,375)	(569,031)
Unrecognised consumer financing income	<u>(4,667,564)</u>	<u>(4,671,729)</u>
Consumer financing receivables, before allowance for impairment losses	7,977,737	8,884,503
Less:		
Allowance for impairment losses	<u>(364,028)</u>	<u>(377,520)</u>
Total consumer financing receivables - net	<u><u>7,613,709</u></u>	<u><u>8,506,983</u></u>

Contractual interest rates per annum for consumer financing during 2018 and 2017 were 6.13% - 32.75% and 6.50% - 33.64%, respectively.

The Subsidiaries extend consumer financing contracts for 4 (four) wheel vehicles with terms ranging from 3 (three) months to 6 (six) years, while consumer financing contracts for 2 (two) wheel vehicles ranging from 1 (one) year to 4 (four) years.

The movement in the allowance for impairment losses on consumer financing receivables was as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	(377,520)	(299,086)
Addition of allowance during the year	(286,436)	(335,827)
Written-off during the year	<u>299,928</u>	<u>257,393</u>
Balance, end of year	<u><u>(364,028)</u></u>	<u><u>(377,520)</u></u>

The collection of consumer financing receivables previously written-off amounting to Rp 29,682 and Rp 19,322 for the years ending 31 December 2018 and 2017, respectively.

Written-off consumer financing receivables were receivables which overdue for more than 150 days for 4-wheels vehicles and more than 180 days for 2-wheels vehicles. The write-offs are execute based on management case by case assessment.

As of 31 December 2018 and 2017 consumer financing receivables, before deduction of unearned income, amounting to Rp 1,797,146 and Rp 2,883,082, respectively, were pledged as collateral to borrowings and overdraft, and debt securities issued.

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**13. CONSUMER FINANCING RECEIVABLES (continued)**

The consumer financing receivables are secured by the related certificates of ownership (“BPKB”) of the vehicles financed by the Subsidiaries.

Management believes that the allowance for impairment losses was adequate to cover possible losses arising from uncollectible consumer financing receivables.

Information on the classification and fair value of consumer financing receivables is disclosed in Note 37. Information on the maturity of consumer financing receivables is disclosed in Note 43.

**14. INVESTMENT SECURITIES**

The details of investment securities by type and currency as of 31 December 2018 and 2017 were as follows:

Description	2018				Carrying value
	Nominal amount	Unamortised premium (discount)	Unrealised (loss) gain	Allowance for impairment losses	
<b>Rupiah</b>					
Held-to-maturity:					
Certificates of Bank Indonesia					
Sharia	170,000	-	-	-	170,000
Government bonds, non-recapitalisation	3,419,041	120,859	-	-	3,539,900
Sukuk	8,504,381	20,944	-	-	8,525,325
Medium-term notes	15,000	-	-	-	15,000
Corporate bonds	567,000	(2)	-	(765)	566,233
Money market securities	-	140,000	-	-	140,000
Available-for-sale:					
Government bonds, non-recapitalisation	12,874,257	163,665	(172,696)	-	12,865,226
Sukuk	30,793,582	(147,591)	(285,157)	(3,066)	30,357,768
Mutual fund units	13,095,081	-	747,422	(4,519)	13,837,984
Corporate bonds	14,414,290	(91,378)	(508,641)	-	13,814,271
Medium-term notes	450,000	(46)	761	-	450,715
Government Treasury Bills					
Sharia	900,000	(5,748)	798	-	895,050
Investment in shares	643,245	-	-	(36,966)	606,279
	85,845,877	200,703	(217,513)	(45,316)	85,783,751
<b>Foreign currencies</b>					
Held-to-maturity:					
Government bonds, non-recapitalisation	330,839	7,101	-	(143)	337,797
Sukuk	503,300	1,484	-	-	504,784
Medium-term notes	71,913	98	-	(43,190)	28,821
Available-for-sale:					
Certificates of Bank Indonesia	20,060,100	(74,533)	(2,119)	-	19,983,448
Government bonds, non-recapitalisation	1,567,420	(990)	45,240	-	1,611,670
Sukuk	589,723	(16,050)	10,390	-	584,063
Corporate bonds	244,460	(698)	2,567	-	246,329
Investment in shares	2,809	-	-	(2,809)	-
	23,370,564	(83,588)	56,078	(46,142)	23,296,912
Total investment securities	109,216,441	117,115	(161,435)	(91,458)	109,080,663

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## 14. INVESTMENT SECURITIES (continued)

The details of investment securities by type and currency as of 31 December 2018 and 2017 were as follows: (continued)

Description	2017				Carrying value
	Nominal amount	Unamortised premium (discount)	Unrealised (loss) gain	Allowance for impairment losses	
<u>Rupiah</u>					
Held-to-maturity:					
Government bonds					
- Recapitalisation	100,000	(1,308)	-	-	98,692
- Non-recapitalisation	4,243,796	159,469	-	-	4,403,265
Sukuk	17,413,281	84,671	-	-	17,497,952
Corporate bonds	713,000	(10)	-	(6,086)	706,904
Money market securities	45,000	-	-	(450)	44,550
Asset-backed securities	5,000	(4,537)	-	-	463
Available-for-sale:					
Certificates Deposits of Bank Indonesia	23,207,526	(428,759)	14,360	-	22,793,127
Government bonds, non-recapitalisation	9,777,648	323,295	241,801	-	10,342,744
Sukuk	33,227,306	294,206	375,646	(21,667)	33,875,491
Mutual fund units	9,552,344	2,000	795,079	(3,516)	10,345,907
Corporate bonds	11,958,200	(89,723)	48,725	(288,445)	11,628,757
Medium-term notes	750,000	(69)	11,864	-	761,795
Treasury bills	988,305	(4,879)	1,322	-	984,748
Investment in shares	292,419	-	-	(34,414)	258,005
Others	14,903	-	-	-	14,903
	112,288,728	334,356	1,488,797	(354,578)	113,757,303
<u>Foreign currencies</u>					
Held-to-maturity:					
Government bonds, non-recapitalisation	320,572	-	-	-	320,572
Sukuk	672,962	12,718	-	-	685,680
Medium-term notes	67,858	244	-	(40,791)	27,311
Available-for-sale:					
Certificates of Bank Indonesia	12,889,125	(85,544)	(10,039)	-	12,793,542
Government bonds, non-recapitalisation	1,771,915	764	114,255	-	1,886,934
Sukuk	1,289,048	(22,093)	48,179	-	1,315,134
Corporate bonds	298,485	(1,187)	7,389	-	304,687
Medium-term notes	122,108	(5)	-	(122,103)	-
Investment in shares	2,829	-	-	(2,829)	-
	17,434,902	(95,103)	159,784	(165,723)	17,333,860
Total investment securities	129,723,630	239,253	1,648,581	(520,301)	131,091,163

As of 31 December 2018, investment securities include government bonds with carrying value amounting to Rp 52,542 (nominal amount of Rp 50,345), which according to the agreements on 17 October 2023, the Bank is required to repurchase the respective government bonds. Total liabilities at carrying value ("securities sold under agreements to repurchase") in the consolidated statements of financial position as of 31 December 2018 amounting to Rp 48,111.

As of 31 December 2017, investment securities include government bonds with carrying value amounting to Rp 99,795 (nominal amount of Rp 95,021), which according to the agreements on 17 October 2023, the Bank is required to repurchase the respective government bonds. Total liabilities at carrying value ("securities sold under agreements to repurchase") in the consolidated statements of financial position as of 31 December 2017 amounting to Rp 96,225.

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**14. INVESTMENT SECURITIES (continued)**

As of 31 December 2018 and 2017, the Bank did not have investment securities pledged as collateral.

During the years ended 31 December 2018 and 2017, the Bank reclassified certain held-to-maturity investment securities to available-for-sale investment securities amounting to Rp 1,806,993 (fair value of Rp 1,808,098) and Rp 660,145 (fair value of Rp 669,195), respectively. The reclassifications were made for investment closed to its maturity date (will be matured in less than six months) and fulfill the reclassification requirements in SFAS No. 55.

Management believes that changes of interest rate will have no significant impact to the fair value of those investment securities. The balance of available-for-sale securities reclassified from held-to-maturity as of 31 December 2018 and 2017 were Rp 926,049 and Rp nil, respectively.

The details of government recapitalisation bonds owned by the Bank as of 31 December 2018 and 2017 were as follows:

	2017				
	Nominal amount	Fair value	Maturity date	Frequency of interest payment	Carrying value
Held-to-maturity: Series VR0026	100,000	99,420	25 Jan 2018	3 months	98,692
	100,000	99,420			98,692

The detail of investment in mutual funds owned by the Group by name and total units owned as of 31 December 2018 and 2017 are as follows:

Investment in mutual funds	2018		2017	
	Total units	Carrying amount	Total units	Carrying amount
Reksa Dana Danareksa Gebyar Indonesia II	36	71,510	36	73,880
Reksa Dana Panin Gebyar Indonesia II	37	73,712	36	76,855
Reksa Dana Nikko Gebyar Indonesia Dua	34	69,538	34	70,997
Reksa Dana Schroder Prestasi Gebyar Indonesia II	38	89,123	38	91,764
Reksa Dana Danareksa Gebyar Dana Likuid II	376	504,811	376	480,213
Reksa Dana Bahana Revolving Fund	242	325,064	242	309,639
Reksa Dana Mandiri Dana Optima	168	229,950	168	218,967
Reksa Dana Schroder Money Market Fund	236	307,966	236	293,929
Reksa Dana Tram Pundi Kas 2	500	630,573	500	599,105
Reksa Dana Terproteksi BNP Paribas Gemilang	80	79,706	75	76,442
Reksa Dana Batavia Dana Kas Gebyar	285	335,536	285	318,786
Reksa Dana Terproteksi Mandiri seri 46	487	500,425	487	511,982
Reksa Dana Terproteksi Danareksa Proteksi 28	500	509,315	500	520,750
Reksa Dana Terproteksi Danareksa Proteksi Cemerlang 33	274	279,054	274	285,462
Reksa Dana Terproteksi Batavia Proteksi Cemerlang 58	-	-	500	511,555
Reksa Dana Terproteksi Trimegah Terproteksi Dana Berkala	500	512,329	500	522,629
Reksa Dana Schroder IDR Income Plan III	-	-	500	498,391
Reksa Dana Terproteksi Bahana E Optima Protected Fund 116	-	-	500	512,607
Reksa Dana Terproteksi Batavia Proteksi Cemerlang 60	378	380,335	500	514,983
Reksa Dana Terproteksi Schroder IDR Income Plan IV	350	334,787	500	502,594
Reksa Dana Terproteksi Danareksa Proteksi 44	352	354,145	500	515,247

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**14. INVESTMENT SECURITIES (continued)**

The detail of investment in mutual funds which owned by The Bank by name and total units owned as of 31 December 2018 and 2017 are as follows: (continued)

<b>Investment in mutual funds</b> (continued)	<b>2018</b>		<b>2017</b>	
	<b>Total units</b>	<b>Carrying amount</b>	<b>Total units</b>	<b>Carrying amount</b>
Reksa Dana Terproteksi Trimegah Terproteksi Dana Berkala 2	340	346,307	500	516,887
Reksa Dana Terproteksi Bahana E Optima Protected Fund 122	333	332,152	500	507,848
Reksa Dana Terproteksi Mandiri Seri 82	319	317,343	500	513,384
Reksa Dana Terproteksi Emco XV	300	302,952	500	523,367
Reksa Dana Terproteksi Panin 2021	400	403,908	400	410,969
Reksa Dana Terproteksi Bahana Centrum Protected Fund 156	500	488,562	-	-
Reksa Dana Terproteksi Bahana Centrum Protected Fund 158	600	593,846	-	-
Reksa Dana Terproteksi Batavia Proteksi Ultima 2	500	495,631	-	-
Reksa Dana Terproteksi Danareksa Proteksi 56	450	442,691	-	-
Reksa Dana Terproteksi Mandiri Seri 157	500	496,105	-	-
Reksa Dana Terproteksi Trimegah Terproteksi Dana Berkala 3	700	706,917	-	-
Reksa Dana Terproteksi Emco XVII	405	414,602	-	-
Reksa Dana Terproteksi Panin Proteksi 2022	500	502,832	-	-
Reksa Dana Terproteksi Samuel Aset Manajemen Dana Obligasi Terproteksi 7	200	203,091	-	-
Reksa Dana Terproteksi Schroders IDR Income Plan V	1000	1,020,505	-	-
Reksa Dana Terproteksi Syailendra Capital Protected Fund 30	500	508,114	-	-
Reksa Dana Syariah Trimegah Kas Syariah 2	50	50,213	50	50,227
Reksa Dana Syariah Trimegah Kas Syariah	138	150,706	143	150,556
Reksa Dana Syariah Mandiri Pasar Uang Syariah	142	150,913	150	150,814
Reksa Dana Syariah Panin Dana Likuid Syariah	48	50,001	-	-
Reksa Dana Syariah Danareksa Seruni Pasar Uang Syariah	50	50,009	-	-
Reksa Dana BNP Paribas Prima II	1	1,971	1	2,045
Reksa Dana BNP Paribas Obligasi Berlian	200	201,376	-	-
Reksa Dana Ashmore Dana Obligasi Nusantara	17	23,877	11	16,549
		13,842,503		10,349,423
Less:				
Allowance for impairment losses		(4,519)		(3,516)
Total Investment in mutual funds - net		13,837,984		10,345,907

The detail of investment in shares owned by the Bank as of 31 December 2018 and 2017 are as follows:

## a. Based on counterparties:

	<b>2018</b>	<b>2017</b>
Related party	14,000	14,000
Third party	632,054	281,248
Total investment in shares	646,054	295,248
Less: Allowance for impairment losses	(39,775)	(37,243)
Total investment in shares – net	606,279	258,005

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**14. INVESTMENT SECURITIES (continued)**

The detail of investment in shares owned by the Bank as of 31 December 2018 and 2017 are as follows: (continued)

b. Based on nature of business and percentage of ownership:

Company Name	Nature of business	2018		2017	
		Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
- PT Bank Tabungan Pensiunan Nasional *)	Banking	1.00%	255,175	-	-
- PT Bank HSBC Indonesia	Banking	1.06%	184,025	1.06%	184,025
- PT Bank DBS Indonesia	Banking	1.00%	42,600	1.00%	42,600
- PT Bank Sumitomo Mitsui Indonesia *)	Banking	1.00%	41,910	1.00%	41,910
- AirWallex (Cayman) Limited	Crossborder Payments				
- Finch Capital Fund II Cooperatief U,A	Fund Management	0.43%	28,850	-	-
- PT Digital Otomotif Indonesia	Marketplace	4.00%	18,142	-	-
- Element Ventures Inc.	Biometrix	20.00%	14,000	20.00%	14,000
- Wavemaker Pacific 1 Pte., Ltd.	Capital Venture	3.00%	13,760	-	-
- PT Sentral Investama Andalan	Holding Company	2.00%	12,117	-	-
- Others (respectively, under Rp 5,000)	Various	2.00%	10,000	-	-
		0.06% - 17.50%	25,475	0.06% - 13.58%	12,713
Total investment in shares			646,054		295,248
Less: Allowance for impairment losses			(39,775)		(37,243)
Total investment in shares - net			606,279		258,005

\*) Effective since 1 February 2019, PT Bank Tabungan Pensiunan Nasional and PT Bank Sumitomo Mitsui Indonesia have merged and change the name to PT Bank BTPN Tbk. The Bank's ownership of PT Bank Bank BTPN Tbk became 1.02% with carrying amount of Rp 297,085.

c. Based on collectibility of Bank Indonesia:

	2018	2017
Current	642,635	291,809
Loss	3,419	3,439
Total investment in shares	646,054	295,248
Less: Allowance for impairment losses	(39,775)	(37,243)
Total investment in shares - net	606,279	258,005

The weighted average effective interest rates per annum for investment securities were as follows:

	2018		2017	
	Rupiah (%)	Foreign currencies (%)	Rupiah (%)	Foreign currencies (%)
Held-to-maturity:				
Certificates of Bank Indonesia Sharia	5.61	-	-	-
Government bonds	6.97	4.80	6.88	4.81
Corporate bonds	8.58	-	7.64	-
Medium-term notes	6.99	3.14	-	1.39
Asset-backed securities	-	-	9.26	-
Available-for-sale:				
Certificates Deposits of Bank Indonesia	-	-	5.81	-
Certificates of Bank Indonesia	-	2.37	-	1.54
Government bonds	6.99	5.32	6.67	3.69
Corporate bonds	8.37	3.44	8.36	2.67
Medium-term notes	9.02	-	8.55	-
Government Treasury Bills	-	-	5.79	-
Sharia Government Treasury Bills	6.10	-	-	-

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## 14. INVESTMENT SECURITIES (continued)

The movement of allowance for impairment losses of investment securities for the years ended 31 December 2018 and 2017 was as follows:

	2018						Total
	Collective impairment losses			Individual impairment losses			
	Rupiah	Foreign currencies	Sub-total	Rupiah	Foreign currencies	Sub-total	
Balance, beginning of year	(46,133)	(2,897)	(49,030)	(308,445)	(162,826)	(471,271)	(520,301)
(Addition) reversal of allowance during the year	818	2,715	3,533	188,445	(1,921)	186,524	190,057
Write-offs during the year	-	-	-	120,000	125,910	245,910	245,910
Exchange rate difference	-	1	1	-	(7,125)	(7,125)	(7,124)
Balance, end of year	(45,315)	(181)	(45,496)	-	(45,962)	(45,962)	(91,458)

  

	2017						Total
	Collective impairment losses			Individual impairment losses			
	Rupiah	Foreign currencies	Sub-total	Rupiah	Foreign currencies	Sub-total	
Balance, beginning of year	(36,107)	(74)	(36,181)	(428,038)	(411,582)	(839,620)	(875,801)
(Addition) reversal of allowance during the year	(10,026)	(2,863)	(12,889)	(188,409)	4,190	(184,219)	(197,108)
Write-offs during the year	-	-	-	308,002	247,182	555,184	555,184
Exchange rate difference	-	40	40	-	(2,616)	(2,616)	(2,576)
Balance, end of year	(46,133)	(2,897)	(49,030)	(308,445)	(162,826)	(471,271)	(520,301)

Management believes that the balance of allowance for impairment losses provided was adequate to cover possible losses on uncollectible investment securities.

The movement of unrealised gains (losses) from the change in fair value of available-for-sale investment securities was as follows:

	2018		
	Rupiah	Foreign currencies	Total
Balance, beginning of year - before deferred income tax	1,495,748	159,785	1,655,533
Addition of unrealised losses during the year - net	(1,725,665)	(109,959)	(1,835,624)
Realised losses during the year - net	13,129	(1,433)	11,696
Exchange rate difference	-	7,685	7,685
Total before deferred income tax	(216,788)	56,078	(160,710)
Deferred income tax (Note 20)			31,158
<b>Balance, end of year - net</b>			<b>(129,552)</b>

  

	2017		
	Rupiah	Foreign currencies	Total
Balance, beginning of year - before deferred income tax	(365,280)	192,871	(172,409)
Addition of unrealised gains (losses) during the year - net	1,686,487	(47,353)	1,639,134
Realised losses during the year - net	174,541	12,680	187,221
Exchange rate difference	-	1,587	1,587
Total before deferred income tax	1,495,748	159,785	1,655,533
Deferred income tax (Note 20)			(413,567)
<b>Balance, end of year - net</b>			<b>1,241,966</b>



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**14. INVESTMENT SECURITIES (continued)**

The following table represents the summary of ratings and credit rating companies of Bank's investment securities as of 31 December 2018 and 2017:

	2018		2017	
	Rating	Rating Agency	Rating	Rating Agency
Indonesian Government	BBB	Fitch	BBB-	Fitch
United States of America Government	AAA	Fitch	AAA	Fitch
Lembaga Pembiayaan Ekspor Indonesia/Indonesia Eximbank	AAA	Pefindo	AAA	Pefindo
PT Adhi Karya (Persero) Tbk	-	-	A-	Pefindo
PT Aneka Tambang Tbk	-	-	BBB+	Pefindo
PT Angkasa Pura I (Persero)	AAA	Pefindo	AAA	Pefindo
PT Arpeni Pratama Ocean Line Tbk	-	-	D	Pefindo
PT Astra Otoparts Tbk	AA-	Fitch	AA-	Fitch
PT Astra Sedaya Finance	AAA	Pefindo	AAA	Pefindo
PT Bank CIMB Niaga Tbk	AAA	Pefindo	AAA	Pefindo
PT Bank DKI	AA-	Pefindo	A+	Pefindo
PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk	AA-	Pefindo	AA-	Pefindo
PT Bank Mandiri (Persero) Tbk	AAA	Pefindo	AAA	Pefindo
PT Bank Mandiri Taspen Pos	AA	Fitch	AA	Pefindo
PT Bank Negara Indonesia (Persero) Tbk	AAA	Pefindo	AAA	Pefindo
PT Bank OCBC NISP Tbk	AAA	Pefindo	AAA	Pefindo
PT Bank Pan Indonesia Tbk	AA	Pefindo	AA	Pefindo
PT Bank Rakyat Indonesia (Persero) Tbk	AAA	Pefindo	AAA	Pefindo
PT Bank Resona Perdania	AA-	Pefindo	AA-	Pefindo
PT Bank Sumitomo Mitsui Indonesia	AAA	Pefindo	AAA	Pefindo
PT Bank Tabungan Negara (Persero) Tbk	AA+	Pefindo	AA+	Pefindo
PT Bank Tabungan Pensiunan Nasional Tbk	AAA	Fitch	AAA	Pefindo
PT Bank UOB Indonesia	AAA	Fitch	AAA	Fitch
PT Bussan Auto Finance	AA	Pefindo	-	-
PT Chandra Asri Petrochemical Tbk	AA-	Pefindo	AA-	Pefindo
PT Express Transindo Utama Tbk	-	-	BB+	Pefindo
PT Fastfood Indonesia Tbk	AA	Pefindo	AA	Pefindo
PT Federal International Finance	AAA	Pefindo	-	-
PT Hutama Karya (Persero)	AAA	Pefindo	AAA	Pefindo
PT Indonesia Power	AAA	Pefindo	AAA	Pefindo
PT Indosat Tbk	AAA	Pefindo	AAA	Pefindo
PT Jakarta Lingkar Baratsatu	A+	Pefindo	-	-
PT Jasa Marga (Persero) Tbk	AA	Pefindo	AA	Pefindo
PT Lautan Luas Tbk	A-	Pefindo	A-	Pefindo
PT Nippon Indosari Corpindo Tbk	-	-	AA-	Pefindo
PT Oto Multiartha	AA+	Pefindo	-	-
PT Pegadaian (Persero)	AAA	Pefindo	AAA	Pefindo
PT Pertamina (Persero)	BBB-	S&P	BBB-	Fitch
PT Perusahaan Listrik Negara (Persero)	BBB-	S&P	AAA	Pefindo
PT Pupuk Indonesia (Persero)	AAA	Fitch	AAA	Fitch
PT Sarana Multi Infrastruktur (Persero)	AAA	Pefindo	AAA	Pefindo
PT Sumber Alfaria Trijaya Tbk	AA-	Fitch	AA-	Fitch
PT Tiphone Mobile Indonesia Tbk	BBB+	Pefindo	A	Pefindo

Information on the classification and fair value of investment securities is disclosed in Note 37. Information on the maturity of investment securities is disclosed in Note 43.

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**15. PREPAID EXPENSES**

	<u>2018</u>	<u>2017</u>
Prepaid rent	895,496	799,862
Prepaid insurance	14,568	8,304
Others	463,927	477,928
	<u>1,373,991</u>	<u>1,286,094</u>

As of 31 December 2018 and 2017, prepaid expense for related parties is amounting to Rp 224,409 and Rp 237,807, respectively (Note 47).

**16. FIXED ASSETS**

Fixed assets consisted of:

	<u>2018</u>					<u>Ending balance</u>
	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassifications</u>	<u>Revaluations</u>	
<u>Acquisition cost/ revaluation amount</u>						
Direct ownership						
Land	10,208,494	17,166	(1,049)	183,286	2,074,213	12,482,110
Buildings	4,476,275	299,163	(3,818)	176,847	-	4,948,467
Office furnitures, fixtures, and equipments	9,695,534	1,758,991	(861,003)	41,870	-	10,635,392
Motor vehicles	55,432	14,457	(11,443)	-	-	58,446
Construction in progress	1,509,473	505,086	(284,343)	(402,003)	-	1,328,213
Leased assets	4,212	-	(4,050)	-	-	162
	<u>25,949,420</u>	<u>2,594,863</u>	<u>(1,165,706)</u>	<u>-</u>	<u>2,074,213</u>	<u>29,452,790</u>
<u>Accumulated depreciation</u>						
Direct ownership						
Buildings	(1,527,640)	(247,273)	768	-	-	(1,774,145)
Office furnitures, fixtures, and equipments	(7,522,050)	(1,296,141)	506,282	-	-	(8,311,909)
Motor vehicles	(28,754)	(8,735)	7,816	-	-	(29,673)
Leased assets	(2,027)	(237)	2,102	-	-	(162)
	<u>(9,080,471)</u>	<u>(1,552,386)</u>	<u>516,968</u>	<u>-</u>	<u>-</u>	<u>(10,115,889)</u>
Net book value	<u>16,868,949</u>					<u>19,336,901</u>
	<u>2017</u>					<u>Ending balance</u>
	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassification</u>	<u>Revaluations</u>	
<u>Acquisition cost/ revaluation amount</u>						
Direct ownership						
Land	10,049,141	52,646	(23,232)	134,269	(4,330)	10,208,494
Buildings	3,797,841	149,983	(10,691)	539,142	-	4,476,275
Office furnitures, fixtures, and equipments	9,467,785	937,528	(713,083)	3,304	-	9,695,534
Motor vehicles	45,708	14,479	(4,755)	-	-	55,432
Construction in progress	1,869,259	580,082	(263,153)	(676,715)	-	1,509,473
Leased assets	4,212	-	-	-	-	4,212
	<u>25,233,946</u>	<u>1,734,718</u>	<u>(1,014,914)</u>	<u>-</u>	<u>(4,330)</u>	<u>25,949,420</u>
<u>Accumulated depreciation</u>						
Direct ownership						
Buildings	(1,342,146)	(193,953)	8,459	-	-	(1,527,640)
Office furnitures, fixtures, and equipments	(6,875,236)	(1,354,820)	708,006	-	-	(7,522,050)
Motor vehicles	(24,423)	(7,627)	3,296	-	-	(28,754)
Leased assets	(1,306)	(721)	-	-	-	(2,027)
	<u>(8,243,111)</u>	<u>(1,557,121)</u>	<u>719,761</u>	<u>-</u>	<u>-</u>	<u>(9,080,471)</u>
Net book value	<u>16,990,835</u>					<u>16,868,949</u>

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**16. FIXED ASSETS (continued)**

Fixed asset on construction process on 31 December 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Land	725,223	744,894
Buildings	452,830	384,605
Others	150,160	379,974
	<u>1,328,213</u>	<u>1,509,473</u>

Estimated percentage of the asset completion of on 31 December 2018 and 2017 were at 40%-100% and 70%-100%, respectively.

**Revaluation of fixed assets**

In 2018 the Group revalued its fixed assets in land classification using external independent appraisal reports, which was performed in accordance with Indonesian Valuation Standards (SPI 2013), Indonesian Appraisal Code of Conduct ("KEPI"), Bapepam-LK Regulation No. VIII. C4 and prevailing rules and regulations.

The revaluation was performed by Kantor Jasa Penilai Publik ("KJPP") Antonius Setiady & Rekan based on the appraisal report dated 27 November 2018, 3 January 2019 and 4 January 2019, KJPP Jimmy Prasetyo & Rekan based on the appraisal report dated 14 November 2018, KJPP Sudiono, Awaludin & Rekan based on the appraisal report dated 7 August 2018, and KJPP Hari Utomo & Rekan based on the appraisal report dated 14 December 2018.

The increases arising on land revaluation for year 2018 were recorded as "revaluation surplus of fixed assets", and presented in other comprehensive income amounting to Rp 2,164,251. The decrease of carrying value arising from revaluation for year 2018 amounting to Rp 90,038 was recognised in the consolidated profit or loss year 2018 as other operating expenses.

The fair value of land is determined based on market approach by comparing several comparable land transactions that either have occurred or still in sales offering stage and adjusting the differences between fair value of land appraised and the comparable data and list of land price that has been obtained. The value is also affected by the location, property rights, physical characteristic, utilisation and other comparative elements.

The fair value measurement of the land is categorised as level 2 fair value based on the inputs to the valuation technique used.

As of 31 December 2018 and 2017, the carrying value of land if the land was recorded using cost model amounting to Rp 3,600,620 and Rp 3,446,821, respectively.

As of 31 December 2018 and 2017, there were no significant difference between the fair value and carrying value of buildings or other fixed assets group.

**Other informations**

As of 31 December 2018 and 2017, the Bank did not have any fixed assets pledged as collateral.

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**16. FIXED ASSETS (continued)**

**Other informations (continued)**

Fixed assets disposal includes sales of assets are as follows:

	<u>2018</u>	<u>2017</u>
Proceeds from sale	10,393	505,430
Net book value	(6,890)	(20,361)
Gain on sale	<u>3,503</u>	<u>485,069</u>

Depreciation charged to general and administrative expenses for the years ended 31 December 2018 and 2017 amounting to Rp 1,552,386 and Rp 1,557,121, respectively.

Gain on sale of fixed assets recognised as part of other operating income for the years ended 31 December 2018 and 2017 amounting to Rp 7,935 and Rp 488,631, respectively.

Loss on sale of fixed assets recognised as part of other operating expenses for the years ended 31 December 2018 and 2017 amounting to Rp 4,432 and Rp 3,562, respectively.

The Bank has insured its fixed assets (excluding land rights) to cover the possible losses from fire, theft and natural disaster with a total coverage of Rp 19,001,922, as of 31 December 2018, and Rp 18,095,144 as of 31 December 2017. Management believes that the insurance coverage is adequate to cover possible losses from such risks.

As of 31 December 2018 and 2017, the cost of fully depreciated fixed assets that were still in use amounting to Rp 5,923,843 and Rp 4,344,162, respectively.

As of 31 December 2018 and 2017, the Bank has no fixed assets, which were no temporer and no longer used but classified as available-for-sale.

No impairment losses on fixed assets during 2018 and 2017.

**17. INTANGIBLE ASSETS**

	<u>2018</u>	<u>2017</u>
Software	1,615,310	1,391,309
Goodwill	167,625	167,347
Total Intangible Assets	<u>1,782,935</u>	<u>1,558,656</u>
Less: Amortization	(1,103,604)	(689,518)
Total Intangible Assets - Net	<u>679,331</u>	<u>896,138</u>

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**18. OTHER ASSETS**

	<u>2018</u>	<u>2017</u>
Rupiah:		
Transactions related to ATM and credit card	6,265,176	2,537,085
Accrued interest income	3,571,534	3,423,975
Foreclosed assets	536,754	248,130
Receivables from insurance transactions	218,062	156,076
Receivables from customer transactions	213,234	122,903
Abandoned properties	36,675	32,538
Unaccepted notes receivable	23,993	36,444
Others	2,202,937	3,013,073
	<u>13,068,365</u>	<u>9,570,224</u>
Foreign currencies:		
Accrued interest income	140,890	128,372
Unaccepted notes receivable	66,258	41,090
Receivables from insurance transactions	8,151	7,820
Transactions related to ATM and credit card	2,148	2,511
Others	86,919	87,157
	<u>304,366</u>	<u>266,950</u>
Total other assets	13,372,731	9,837,174
Less: Allowance for impairment losses	(10,401)	(9,966)
Total other assets - net	<u>13,362,330</u>	<u>9,827,208</u>

Receivables related to ATM and credit card transactions consist of receivables arising from ATM transactions within ATM Bersama, Prima and Link network as well as receivables from Visa and Master Card for credit card transactions.

Accrued interest income consists of interest income from the placement, marketable securities, government bonds, loans, and assets from sharia transactions.

Receivables from insurance transactions represent the Subsidiary's receivables from policyholders related to policyholders' premium, other insurance companies and broker of closed policies, also reinsurance assets.

Receivables from customers mainly consists of receivables from Subsidiaries' marketable securities amounting to Rp 204,626 on 31 December 2018 and Rp 92,590 on 31 December 2017. In general, the receivables will be settled in 3 days from date of trading, hence no need allowance of impairment losses to be recorded by Subsidiary on 31 December 2018 and 2017.

Unaccepted notes receivable was unaccepted export note receivables from customer due to export import transactions.

Others mainly consist of inter-office accounts, various form of receivables from transaction with third parties, including clearing transactions and others.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 18. OTHER ASSETS (continued)

Movement of allowance for impairment losses on other assets are as follows:

	2018	2017
Beginning balance	(9,966)	(5,221)
Addition of allowance during the period	(415)	(5,064)
Writte-off assets during the period	-	327
Losses on foreign exchange	(20)	(8)
Ending balance	(10,401)	(9,966)

Management believes that the allowance for impairment losses is adequate to cover any loss possibility due to uncollectible other assets.

## 19. DEPOSITS FROM CUSTOMERS AND OTHER BANKS

## a. Deposits from customers

	2018			2017		
	Rupiah	Foreign currencies	Total	Rupiah	Foreign currencies	Total
<b>Demand deposits:</b>						
Related parties	781,340	81,318	862,658	382,724	762,682	1,145,406
Third parties	145,472,456	20,486,839	165,959,295	132,368,591	17,735,908	150,104,499
	146,253,796	20,568,157	166,821,953	132,751,315	18,498,590	151,249,905
<b>Savings:</b>						
Related parties	72,417	836,628	909,045	64,228	797,688	861,916
Third parties:						
Tahapan	286,223,426	-	286,223,426	265,898,289	-	265,898,289
Tapres	8,076,023	-	8,076,023	7,920,676	-	7,920,676
Tabunganku	3,184,609	-	3,184,609	2,308,599	-	2,308,599
Tahapan Xpresi	3,101,824	-	3,101,824	1,609,623	-	1,609,623
Tahapan Berjangka	1,345,910	-	1,345,910	913,142	-	913,142
Simpanan Pelajar	1,326	-	1,326	1,422	-	1,422
BCA Dollar	-	13,339,638	13,339,638	-	12,903,062	12,903,062
	302,005,535	14,176,266	316,181,801	278,715,979	13,700,750	292,416,729
<b>Time deposits:</b>						
Related parties	492,264	225,223	717,487	890,778	392,767	1,283,545
Third parties	132,968,872	13,121,904	146,090,776	124,331,742	11,833,521	136,165,263
	133,461,136	13,347,127	146,808,263	125,222,520	12,226,288	137,448,808
<b>Total deposits from customers</b>	581,720,467	48,091,550	629,812,017	536,689,814	44,425,628	581,115,442

## b. Deposits from other banks

	2018			2017		
	Rupiah	Foreign currencies	Total	Rupiah	Foreign currencies	Total
Demand deposits	4,576,530	1,839,460	6,415,990	4,291,778	1,420,002	5,711,780
Time deposits	58,501	-	58,501	46,634	-	46,634
Interbank call money	20,000	-	20,000	-	-	-
<b>Total deposits from other banks</b>	4,655,031	1,839,460	6,494,491	4,338,412	1,420,002	5,758,414

As of 31 December 2018 and 2017, the Bank did not have balances of deposits from other banks from related party.

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**19. DEPOSITS FROM CUSTOMERS AND OTHER BANKS (continued)**

- c. The weighted average effective interest rates per annum for deposits from customers and other banks were as follows:

	2018		2017	
	Rupiah (%)	Foreign currencies (%)	Rupiah (%)	Foreign currencies (%)
Deposits from customers:				
Demand deposits	0.95	0.12	0.97	0.13
Savings	0.81	0.24	1.00	0.21
Time deposits	4.71	0.90	5.16	0.64
Deposits from other banks:				
Demand deposits	0.50	0.01	0.49	0.01
Time deposits	3.70	-	4.00	-
Interbank call money	4.59	-	-	-

- d. Time deposits based on maturity period

	2018			2017		
	Rupiah	Foreign currencies	Total	Rupiah	Foreign currencies	Total
1 month	74,960,850	11,669,675	86,630,525	77,461,153	10,573,504	88,034,657
3 months	40,340,656	861,507	41,202,163	39,883,969	822,112	40,706,081
6 months	14,623,620	264,741	14,888,361	4,671,512	268,002	4,939,514
12 months	3,594,511	551,204	4,145,715	3,252,520	562,670	3,815,190
	133,519,637	13,347,127	146,866,764	125,269,154	12,226,288	137,495,442

- e. Time deposits based on remaining period until maturity date

	2018			2017		
	Rupiah	Foreign currencies	Total	Rupiah	Foreign currencies	Total
Up to 1 month	90,046,824	12,096,992	102,143,816	91,408,089	11,047,535	102,455,624
> 1 - 3 months	29,971,918	712,196	30,684,114	27,981,243	627,765	28,609,008
> 3 - 6 months	11,251,851	181,676	11,433,527	3,889,441	205,024	4,094,465
> 6 - 12 months	2,249,044	356,263	2,605,307	1,990,381	345,964	2,336,345
	133,519,637	13,347,127	146,866,764	125,269,154	12,226,288	137,495,442

- f. Deposits pledged as collateral to loans granted by the Bank as of 31 December 2018 and 2017 (see Note 12) were as follows:

	2018	2017
Demand deposits	2,104,069	2,249,781
Savings	747,046	615,186
Time deposits	8,796,624	8,514,506
	11,647,739	11,379,473

Information on the classification and fair value of deposits from customers and other banks is disclosed in Note 37. Information on the maturity of deposits from customers and other banks is disclosed in Note 43.

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**20. INCOME TAX**

## a. Prepaid tax

	<u>2018</u>	<u>2017</u>
Bank	5,234	-
Subsidiaries	1,429	38
	<u>6,663</u>	<u>38</u>

## b. Tax payable

	<u>2018</u>	<u>2017</u>
<u>Current tax payable</u>		
Bank:		
Company tax payable - Article 25/29	672,193	4,990
Subsidiaries:		
Company tax payable - Article 25/29	70,452	142,408
Total current tax payable	<u>742,645</u>	<u>147,398</u>
<u>Other tax payable</u>		
Bank:		
Income tax		
Article 21	129,174	113,800
Article 23	234,369	214,386
Article 26	1,336	3,409
Others	16,843	31,349
Total Bank	<u>381,722</u>	<u>362,944</u>
Subsidiaries	40,969	40,788
Total other tax payable	<u>422,691</u>	<u>403,732</u>
	<u>1,165,336</u>	<u>551,130</u>

## c. Tax expenses

	<u>2018</u>	<u>2017</u>
Current tax:		
Current year		
Bank	6,005,115	5,188,000
Subsidiaries	604,281	574,403
	<u>6,609,396</u>	<u>5,762,403</u>
Deferred tax:		
Origination of temporary differences		
Bank	225,255	122,882
Subsidiaries	19,753	(47,692)
	<u>245,008</u>	<u>75,190</u>
	<u>6,854,404</u>	<u>5,837,593</u>



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**20. INCOME TAX** (continued)

- d. In accordance with Article 2 of Government Regulation No. 56 Year 2015 regarding the Guidelines on the Implementation and Supervision on the Tariff Reduction for Domestic Tax Payers in the form of Public Companies, signed by the President of Republic Indonesia on 3 August 2015, tax payers can receive a reduction of 5% (five percent) lower than income tax rate for a domestic tax payer as stipulated by Tax Law, if the company fulfills the following criteria:
1. The public owned 40% (forty percent) or more of the total paid up shares and those shares are owned by at least 300 (three hundred) parties.
  2. Each party can only own less than 5% (five percent) of total paid-up shares.
  3. The tax payer should fulfill the above mentioned criteria at least within 6 (six) months (183 (one hundred and eighty three) calendar days) in 1 (one) fiscal year.

The tax payers should attach the declaration letter from Securities Administration Agency ("*Biro Administrasi Efek*") to the annual income tax return of the tax payers with the form X.H.1-2 as provided in Decision Letter of the Chairman of Capital Market and Financial Institution Supervisory Agency ("*Bapepam-LK*") No. KEP-669/BL/2012 dated 13 December 2012 for the respective fiscal year.

On 7 January 2019 and 9 January 2018, the Bank received a declaration letter from the Securities Administration Agency for the fulfillment of the above criteria for fiscal year 2018 and 2017, respectively.

- e. The reconciliation of consolidated accounting income before tax and taxable income of the Bank was as follows:

	<u>2018</u>	<u>2017</u>
Consolidated accounting income before tax	32,706,064	29,158,743
Elimination	612,792	481,114
Before elimination	33,318,856	29,639,857
Subsidiary's accounting income before tax	(2,385,941)	(2,165,195)
Accounting income before tax - Bank only	30,932,915	27,474,662

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**20. INCOME TAX (continued)**

- e. The reconciliation of consolidated accounting income before tax and taxable income of the Bank was as follows: (continued)

	<u>2018</u>	<u>2017</u>
Permanent differences:		
Employees' welfare	171,252	168,147
Rent income	(37,987)	(44,498)
Dividends from Subsidiaries	(578,536)	(453,070)
Interest income from off-shore government bonds	(86,924)	(88,338)
Other income which cannot be added/ deducted for tax calculation purposes - net	(90,051)	(625,377)
	<u>(622,246)</u>	<u>(1,043,136)</u>
Temporary differences:		
Post-employment benefits obligation	295,558	(538,871)
Impairment losses on financial assets	(1,431,326)	(16,156)
Impairment losses on non-financial assets	(181)	(2,423)
Accrued employees' benefits	585,499	44,988
Unrealised losses (gains) of trading and available-for-sale investment securities and placements with other banks	824	20,934
Others	264,532	-
	<u>(285,094)</u>	<u>(491,528)</u>
Taxable income	<u>30,025,575</u>	<u>25,939,998</u>

- f. The reconciliation between consolidated accounting income before tax multiplied by the maximum tax rate and income tax expense was as follows:

	<u>2018</u>	<u>2017</u>
Consolidated accounting income before tax	32,706,064	29,158,743
Maximum tax rate	25%	25%
	<u>8,176,516</u>	<u>7,289,686</u>
Permanent differences at 25% - Bank	(155,562)	(260,784)
Permanent differences at 25% - Subsidiaries	180,747	105,691
	<u>8,201,701</u>	<u>7,134,593</u>
Adjustment of corporate income tax rate - Bank (Note 20d)	(1,515,533)	(1,297,000)
Adjustment of deferred tax rate	168,236	-
Income tax expense - consolidated	<u>6,854,404</u>	<u>5,837,593</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 20. INCOME TAX (continued)

g. The calculation of current tax and income tax payable was as follows:

	2018	2017
Taxable income:		
Bank	30,025,575	25,939,998
Subsidiaries	2,417,124	2,297,613
	<u>32,442,699</u>	<u>28,237,611</u>
Current tax:		
Bank	6,005,115	5,188,000
Subsidiaries	604,281	574,403
	<u>6,609,396</u>	<u>5,762,403</u>
Prepaid taxes:		
Bank	(5,332,922)	(5,183,010)
Subsidiaries	(533,829)	(431,995)
	<u>(5,866,751)</u>	<u>(5,615,005)</u>
Income tax payable:		
Bank	672,193	4,990
Subsidiaries	70,452	142,408
	<u>742,645</u>	<u>147,398</u>

Annual corporate income tax return for fiscal year 2018 has yet been submitted. Taxable income results from above reconciliation is the basis in filling the Bank's Annual Tax Return ("SPT") of Corporate Income Tax for the year ended 31 December 2018.

The calculations of income tax for the year ended 31 December 2017 conform to the Bank's Annual Tax Returns ("SPT").

h. The significant items of deferred tax assets and liabilities as of 31 December 2018 and 2017 were as follows:

	2017	Recognised in current year profit or loss	Recognised in current year other comprehensive income	2018
Parent entity - Bank:				
Post-employment benefits obligations	607,255	59,111	-	666,366
Allowance for impairment losses of financial assets	1,729,999	(285,636)	-	1,444,363
Allowance for impairment losses of non-financial assets	674	(665)	-	9
Accrued employees' benefits	79,083	117,100	-	196,183
Unrealised loss on available-for-sale investment securities and placements with other banks	(419,935)	-	452,523	32,588
Remeasurements of defined benefit liability	983,593	-	(269,202)	714,391
Unrealised gain from financial assets held for trading	(13,637)	165	-	(13,472)
Others	-	52,906	-	52,906
	<u>2,967,032</u>	<u>(57,019)</u>	<u>183,321</u>	<u>3,093,334</u>
Adjustment of deferred tax rate	-	(168,236)	-	(168,236)
Deferred tax assets - net	<u>2,967,032</u>	<u>(225,255)</u>	<u>183,321</u>	<u>2,925,098</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 20. INCOME TAX (continued)

- h. The significant items of deferred tax assets and liabilities as of 31 December 2018 and 2017 were as follows: (continued)

	2017	Recognised in current year profit or loss	Recognised in current year other comprehensive income	2018
Deferred tax assets - net (brought forward)	2,967,032	(225,255)	183,321	2,925,098
Subsidiary:				
PT BCA Finance	34,283	2,086	(2,106)	34,263
PT BCA Sekuritas	3,523	(317)	(423)	2,783
PT BCA Syariah	13,639	6,482	(6,805)	13,316
PT Asuransi Umum BCA	34,934	9,551	432	44,917
PT Central Santosa Finance	121,817	3,838	(5,089)	120,566
PT Central Capital Ventura	-	2,431	(18)	2,413
PT Asuransi Jiwa BCA	44,013	(43,134)	3,431	4,310
Deferred tax assets - net	252,209	(19,063)	(10,578)	222,568
Total deferred tax assets - net	3,219,241	(244,318)	172,743	3,147,666
	2016	Recognised in current year profit or loss	Recognised in current year other comprehensive income	2017
Parent entity - Bank:				
Post-employment benefits obligations	741,973	(134,718)	-	607,255
Allowance for impairment losses of financial assets	1,734,038	(4,039)	-	1,729,999
Allowance for impairment losses of non-financial assets	1,279	(605)	-	674
Accrued employees' benefits	67,836	11,247	-	79,083
Unrealised loss on available-for-sale investment securities and placements with other banks	42,539	-	(462,474)	(419,935)
Remeasurements of defined benefit liability	781,091	-	202,502	983,593
Unrealised gain from financial assets held for trading	(18,870)	5,233	-	(13,637)
Deferred tax assets - net	3,349,886	(122,882)	(259,972)	2,967,032
Subsidiaries:				
PT BCA Finance	26,938	4,876	2,469	34,283
PT BCA Sekuritas	33,069	(29,279)	(267)	3,523
PT BCA Syariah	6,538	2,993	4,108	13,639
PT Asuransi Umum BCA	24,244	11,426	(736)	34,934
PT Central Santosa Finance	108,059	12,003	1,755	121,817
PT Central Capital Ventura	-	-	-	-
PT Asuransi Jiwa BCA	-	45,673	(1,660)	44,013
Deferred tax assets - net	198,848	47,692	5,669	252,209
Total deferred tax assets - net	3,548,734	(75,190)	(254,303)	3,219,241

Included in total deferred tax asset and liability of the Group were deferred tax asset and liability arising from unrealised loss from change in fair value of available-for-sale investment securities (see Note 14) amounting to Rp 31,814 and Rp (656) as of 31 December 2018, and (409,145) and Rp (4,422) as of 31 December 2017. Moreover, included in total deferred tax asset of the Group was deferred tax asset arising from unrealised (loss) gain from change in fair value of available-for-sale placements with Bank Indonesia and other banks (see Note 7) amounting to Rp 774 and Rp (10,790) as of 31 December 2018 and 2017, respectively.

Management believes that total deferred tax assets arising from temporary differences are probable to be realised in the future years.

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**20. INCOME TAX (continued)**

- i. Under the taxation laws of Indonesia, the Bank and its Subsidiaries in Indonesia calculate, pay and report individual company tax return (submission of consolidated income tax computation is not allowed) on the basis of self-assessment. The tax authorities may assess or amend taxes within the statute of limitations, under prevailing regulations.
- j. The Group tax positions may be challenged by the tax authorities. Management vigorously defends the Group tax positions which are believed to be grounded on sound technical basis, in compliance with the tax regulations. Accordingly, management believes that the accruals for tax liabilities are adequate for all open tax years based on the assessment of various factors, including interpretations of tax law, other tax provisions and prior experience. This assessment relies on estimates and assumptions and may involve judgement about future events. New information may become available that causes management to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period in which such determination is made.
- k. Tax assessment letter

On 18 July 2017 and 27 November 2018, the Bank received tax audit notice for fiscal year 2016 and 2017. Up to the report date, the tax audit for fiscal year 2016 and 2017 are still on going.

**21. DEBT SECURITIES ISSUED**

As of 31 December 2018 and 2017, the outstanding balance of bonds payable related to bonds issued was as follows:

	<u>2018</u>	<u>2017</u>
Nominal value:		
BCA Finance Continuous Bonds II Phase I	-	422,000
BCA Finance Continuous Bonds II Phase II	240,000	190,000
	<u>240,000</u>	<u>612,000</u>
Less:		
Deferred bonds issuance costs - net	(265)	(1,501)
Total - net	<u>239,735</u>	<u>610,499</u>
Amortisation expense charged to profit or loss	<u>1,237</u>	<u>3,576</u>

**BCA Finance Continuous Bonds II Phase I ("Continuous Bonds II Phase I") Year 2015**

BCA Finance Continuous Bonds II - Phase I were offered at nominal value. Interest will be paid on a quarterly basis based on interest payment due date. The first interest payment was made on 20 June 2015 and the final interest payment will be with the repayment of the principal of each series of bonds.

The Subsidiary entered into a Trusteeship Agreement with PT Bank Mega Tbk (acts as the Bond's Trustee) for BCA Finance Continuous Bonds II - Phase I Year 2015 based on the Trusteeship Agreement No. 12 dated 8 December 2014 which was made before Fathiah Helmi, S.H., notary in Jakarta.

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**21. DEBT SECURITIES ISSUED (continued)****BCA Finance Continuous Bonds II Phase I (“Continuous Bonds II Phase I”) Year 2015**  
(continued)

BCA Finance Continuous Bonds II - Phase I Series A, B and C was fully repaid on 30 March 2016, 20 March 2017 and 20 March 2018.

As of 31 December 2017, BCA Finance Continuous Bonds II - Phase I was rated at <sup>id</sup>AAA by Pefindo and AAA(idn) by Fitch (2016: <sup>id</sup>AAA by Pefindo and AAA(idn) by Fitch).

**BCA Finance Continuous Bonds II Phase II (“Continuous Bonds II Phase II”) Year 2016**

BCA Finance Continuous Bonds II - Phase II were offered at nominal value. Interest will be paid on a quarterly basis based on interest payment due date. The first interest payment was made on 21 September 2016 and the final interest payment will be with the repayment of the principal of each series of bonds.

The Subsidiary entered into a Trusteeship Agreement with PT Bank Mega Tbk (acts as the Bond's Trustee) for BCA Finance Continuous Bonds II - Phase II Year 2016 based on the Trusteeship Agreement No. 41 dated 6 June 2016 which was made before Satria Amiputra A., S.E., Ak., S.H., M.Ak., M.Ec.Dev., M.H., Mkn., notary in Jakarta.

BCA Finance Continuous Bonds II - Phase II was fully repaid on 1 July 2017.

As of 31 December 2018 and 2017, BCA Finance Continuous Bonds II - Phase II was rated at <sup>id</sup>AAA by Pefindo and AAA(idn) by Fitch.

All bonds issued by the Subsidiary are collateralised by the fiduciary transfer of consumer financing receivables amounted to Rp 126,125 and Rp 338,078 as of 31 December 2018 and 2017, respectively (see Note 13). Prior to the repayment of the bonds payable, The Subsidiary is not allowed to, among other, transfer, pledge and/or mortgage any of the present or future assets of the Subsidiary, merge and/or dilute the business, take over business, make changes in the articles of association regarding the changes of the purpose and objective in the Subsidiary, and grant any loan or make investment in other parties other than in the ordinary course of the business.

Total principal and interest of bonds have been paid in accordance with the respective bonds' maturity date.

As of 31 December 2018, the Subsidiary was in compliance with covenants in relation to the bonds payable agreements and complied with all the requirements mentioned in Trusteeship Agreement.

Information on the classification and fair value of debt securities issued is disclosed in Note 37. Information on the maturity of debt securities issued is disclosed in Note 43.

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**22. BORROWINGS**

Borrowings received by the Group were as follows:

	<u>2018</u>	<u>2017</u>
(1) Liquidity loans from Bank Indonesia, Rupiah: Agriculture loans (Kredit Usaha Tani/"KUT"), due date between 13 March 2000 up to 22 September 2000, in the process of closing the agreement	577	577
(2) Borrowings from other banks: Rupiah:		
PT Bank Mandiri Tbk	920,000	-
PT Bank Victoria International Tbk	300,000	-
PT Bank Pan Indonesia Tbk	206,734	432,095
PT Bank DKI	200,000	630,000
PT Bank Ina Perdana Tbk	175,000	70,000
PT Bank Dinar Indonesia Tbk	72,500	72,500
PT Bank Nationalnobu Tbk	50,000	120,000
PT Bank KEB Hana Indonesia (previously PT Bank Hana)	24,411	37,594
PT Bank Sumitomo Mitsui Indonesia	-	365,000
PT Bank Pembangunan Daerah Jawa Barat & Banten Tbk	-	70,000
Foreign currencies:		
United Overseas Bank - Hongkong	71,922	67,872
PT Bank UOB Indonesia	-	568,411
The Bank of Tokyo Mitsubishi UFJ, Ltd - Jakarta Branch	-	381,586
Citibank, N.A. - Indonesia	-	159,418
	<u>2,020,567</u>	<u>2,974,476</u>
(3) Others:		
Foreign currencies	72,331	65,549
	<u>72,331</u>	<u>65,549</u>
Total borrowings	<u>2,093,475</u>	<u>3,040,602</u>

The weighted average effective interest rates per annum for borrowings were as follows:

	<u>2018</u>	<u>2017</u>
Rupiah	7.15%	8.42%
Foreign currencies	2.51%	2.57%

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**22. BORROWINGS** (continued)

(1) Rupiah liquidity loans from Bank Indonesia

Rupiah liquidity loans from Bank Indonesia represent credit facility obtained by the Bank as a national private bank in Indonesia, to be distributed to qualified Indonesian debtors under the loan facility program.

(2) Borrowings from other banks

Represent working capital loans of Subsidiaries. The details of borrowing facilities received as of 31 December 2018 and 2017 were as follows:

Bank	Total facility		Maturity date of facility	
	2018	2017	2018	2017
Rupiah:				
PT Bank Sumitomo Mitsui Indonesia	800,000	800,000	31-May-19	31-May-18
PT Bank UOB Indonesia	650,000	650,000	21-Jul-19	21-Jul-18
PT Bank Victoria International Tbk	300,000	300,000	09-Jun-19	09-Jun-18
	200,000	200,000	27-Jun-19	27-Jun-18
PT Bank Pan Indonesia Tbk	-	300,000	-	31-Jan-18
	-	300,000	-	31-Oct-18
	300,000	300,000	28-Feb-20	28-Feb-20
	400,000	400,000	26-Oct-20	26-Oct-20
PT Bank KEB Hana Indonesia (previously PT Bank Hana)	200,000	200,000	30-Apr-21	28-Jan-21
PT Bank DBS Indonesia	100,000	100,000	10-Mar-19	10-Mar-18
PT Bank Nationalnobu Tbk	100,000	100,000	24-Feb-19	24-Feb-18
	40,000	40,000	31-Mar-19	31-Mar-18
PT Bank Pembangunan Daerah Jawa Barat & Banten Tbk	-	200,000	-	11-Dec-18
PT Bank DKI	100,000	100,000	16-Jun-19	16-Jun-18
	-	100,000	-	08-Sep-18
	500,000	500,000	27-Sep-19	28-Sep-18
PT Bank Dinar Indonesia Tbk	72,500	72,500	30-Mar-19	30-Mar-18
PT Bank Ina Perdana Tbk	175,000	70,000	21-Dec-19	20-Dec-18
PT Bank J TRUST Indonesia Tbk	-	125,000	-	29-Dec-18
PT Bank Mandiri (Persero) Tbk	1,000,000	-	25-May-19	-
Foreign currencies (full amount):				
Standard Chartered Bank - Indonesia Branch	-	USD 20,000,000	-	30-Sep-17*)
The Bank of Tokyo Mitsubishi UFJ, Ltd - Indonesia Branch	USD 60,000,000	USD 60,000,000	14-Sep-19	14-Sep-18
United Overseas Bank Limited Co. - Hongkong	USD 5,000,000	USD 5,000,000	30-Aug-19	30-Aug-18
Citibank, N.A. - Indonesia Branch	USD 60,000,000	USD 20,000,000	20-Mar-19	20-Mar-18

\*) in renewal process



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**22. BORROWINGS** (continued)

(2) Borrowings from other banks (continued)

As of 31 December 2018 and 2017, these bank loans were secured by consumer financing receivables amounting to Rp 1,671,021 and Rp 2,545,004 (see Note 13).

All loan agreements include certain covenants which are normally required for such credit facilities, such as limitations to initiate merger or consolidation with other parties, obtain loans from other parties except loans obtained in the normal course of business, or changes its capital structure and/or Articles of Association without notification to/prior written approval from the creditors and maintenance of certain agreed financial ratios.

The required financial ratios was as follows:

	2018		2017	
	Requirement	Fulfillment	Requirement	Fulfillment
1. Debt to Equity	Maximum 10 times	< 1 time	Maximum 10 times	< 2 times
2. Receivable to Total Assets	Minimum 40%	83.03%	Minimum 40%	84.83%
3. Current ratio	Minimum 1.1 times	1.68 times	Minimum 1.1 times	1.22 times
4. Non performing loans (NPL)	Maximum 5%	3.52%	Maximum 5%	4.01%
		of total receivables		of total receivables

The range of contractual interest rates for borrowings from other banks was as follows:

	2018	2017
Rupiah	4.79% - 11.25%	4.85% - 11.25%
Foreign currencies	1.85% - 3.52%	1.27% - 2.52%

(3) Others

As of 31 December 2018 and 2017, BCA Finance Limited, Subsidiary, received a Banker's Acceptance Funding amounting to Rp 71,922 (USD 5,000,000 in full amount) from Wells Fargo Bank, Miami, which will mature on 14 January 2019 and Rp 65,157 (USD 4,800,000 in full amount) from Wells Fargo Bank, Miami, which has matured on 8 March 2018. This loan is collateralised by export and import transaction documents and bears interest rate at 2.97% and 2.14%, respectively. This borrowing has been paid off by BCA Finance Limited, Subsidiary, at its maturity date.

Information on the classification and fair value of borrowings is disclosed in Note 37. Information on the maturity of borrowings is disclosed in Note 43.

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**23. ACCRUALS AND OTHER LIABILITIES**

	<u>2018</u>	<u>2017</u>
Rupiah:		
Liabilities related to ATM and credit card transactions	5,124,346	2,046,121
Unearned revenue	1,910,087	1,724,035
Customers transfer transactions	755,392	743,266
Accrued interest expenses	403,717	284,489
Security deposits	121,983	117,116
Liabilities from customer transactions	40,414	54,616
Liabilities from insurance transactions	17,673	62,716
Others	5,944,021	5,082,144
	<u>14,317,633</u>	<u>10,114,503</u>
Foreign currencies:		
Customers transfer transactions	398,209	570,357
Unearned revenue	111,810	110,181
Security deposits	53,782	63,444
Accrued interest expenses	33,331	5,455
Liabilities from insurance transactions	6,480	1,520
Others	104,577	63,189
	<u>708,189</u>	<u>814,146</u>
Total accruals and other liabilities	<u>15,025,822</u>	<u>10,928,649</u>

Liabilities related to ATM and credit card transactions consists of liabilities on ATM transactions within ATM Bersama, ATM links and ATM Prima and liabilities to Visa and Master Card for credit card transactions.

Unearned revenue consists of income from credit card commission.

Accrued interest expenses consist of accrued interest from deposits from customers and other banks, borrowings, debt securities issued and securities sold under repurchase agreement.

The guarantee deposit is a guarantee of cash deposited by customers from export, import transaction and issuance of bank guarantees.

Liabilities from customer transactions mainly consist of debts arising from securities transactions of Subsidiary as of 31 December 2018 and 2017 amounting to Rp 40,414 and Rp 54,616, respectively. The liabilities from customer transactions matured in short period, usually in 3 (three) days from date of trading.

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**23. ACCRUALS AND OTHER LIABILITIES (continued)**

Liabilities from insurance transactions was liabilities of subsidiary for reinsurance payables, coinsurance payable and claim in process.

Others mainly consist of interoffice accounts, deposit and unsettled transactions.

**24. SUBORDINATED BONDS**

	<u>2018</u>
Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018	500,000
Total subordinated bonds	<u>500,000</u>
Amortisation of bonds issuance costs charged to profit or loss	4,655

The details of subordinated bonds were as follows:

<u>Instruments</u>	<u>Effective and issued date</u>	<u>Approval</u>	<u>Principal amount</u>	<u>Terms</u>	<u>Maturity date</u>	<u>Interest rate</u>
Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018 - Series A	Effective date 26 June 2018 Issued date 5 July 2018	No: S-03825/ BEI.PP2/07-2018	Rp 435,000	7 Years	5 July 2025	7.75%
Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018 - Series B	Effective date 26 June 2018 Issued date 5 July 2018	No: S-03825/ BEI.PP2/07-2018	Rp 65,000	12 Years	5 July 2030	8.00%

Interest of Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018 - Series A and B are paid quarterly since the issuance date, with no option of accelerating the Subordinated Bonds interest payment. The first payment of interest was due on 5 October 2018. Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018 - Series A and B can be calculated as supplementary capital (tier 2) based on OJK Regulation No. 11/POJK.03/2016 and to increase collection structure of long term funding. The proceeds from issuance of Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018 - Series A and B will be used to grow the Bank's business, especially for credit expansion.

The trustee of the above subordinated bonds is PT Bank Rakyat Indonesia (Persero) Tbk, a third party.

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**24. SUBORDINATED BONDS (continued)**

The rating of these bonds based on PT Pemeringkat Efek Indonesia (PT Pefindo) rating for is as follows:

Description	Rating	Period
Bank Central Asia Continuous Subordinated Bonds I Phase I Year 2018	idAA	13 March 2018 - 1 March 2019

The Trusteeship Agreement provides several negative covenants that should be complied by the Bank among others, prior to the repayment of the bonds payable, without the written consent from the Trustee, the Bank is not allowed to:

- a. Pledge majority or all of the Bank's present or future income or assets outside Bank's main business, except if the actions are performed to meet regulatory requirements or related with short term liquidity borrowing or related with the Bank's option for recovery plan;
- b. Change the Bank main business;
- c. Reduce authorised capital and paid-up capital unless if it is performed based on Government of Indonesia or authority order (include but not limited to BI, OJK, the Indonesia Finance Ministry and/or other authorities in Indonesian Banking Restructuring Agency ("IBRA") in accordance with the prevailing laws; and
- d. Merger or consolidation with other companies which cause dilution of the Bank.

As of 31 December 2018, the Bank was in compliance with the aforementioned covenants in relation to the issued subordinated debts agreements. Payments of interest had been done on a timely basis.

**25. SHARE CAPITAL**

The composition of the Bank's share capital as of 31 December 2018 and 2017 (after stock split, see Note 1c) was as follows:

	2018		2017	
	Number of shares	Total par value	Number of shares	Total par value
Authorised capital at par value Rp 62.50 (full amount) per share	88,000,000,000	5,500,000	88,000,000,000	5,500,000
Unissued	(63,344,990,000)	(3,959,062)	(63,344,990,000)	(3,959,062)
Outstanding shares (issued and fully paid)	24,655,010,000	1,540,938	24,655,010,000	1,540,938

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## 25. SHARE CAPITAL (continued)

The composition of shareholders as of 31 December 2018 and 2017 was as follows:

	2018		
	Number of shares	Total par value	%
PT Dwimuria Investama Andalan <sup>*)</sup>	13,545,990,000	846,624	54.94
Anthoni Salim	434,079,976	27,130	1.76
Commissioners:			
Djohan Emir Setijoso	23,100,481	1,444	0.09
Tonny Kusnadi	1,137,939	71	0.01
Directors:			
Jahja Setiaatmadja	8,103,902	506	0.03
Eugene Keith Galbraith	1,581,879	99	0.01
Armand W. Hartono	851,213	53	0.00
Suwignyo Budiman	7,407,206	463	0.03
Subur Tan	2,705,481	169	0.01
Henry Koenaifi	957,138	60	0.00
Erwan Yuris Ang	1,191,967	75	0.01
Rudy Susanto	416,193	26	0.00
Lianawaty Suwono	126,279	8	0.00
Santoso	171,140	11	0.00
Inawaty Handoyo	102,667	6	0.00
Vera Eve Lim	17,000	1	0.00
Public shareholders <sup>**)</sup>	10,627,069,539	664,192	43.11
	<u>24,655,010,000</u>	<u>1,540,938</u>	<u>100.00</u>

\*) The shareholders of PT Dwimuria Investama Andalan are Mr. Robert Budi Hartono and Mr. Bambang Hartono, therefore, the ultimate shareholders of PT Bank Central Asia Tbk are Mr. Robert Budi Hartono and Mr. Bambang Hartono.

\*\*\*) In the public shareholders composition, there was 2.49% shares owned by parties affiliated with PT Dwimuria Investama Andalan.

	2017		
	Number of shares	Total par value	%
PT Dwimuria Investama Andalan <sup>*)</sup>	13,545,990,000	846,624	54.94
Anthoni Salim	434,079,976	27,130	1.76
Commissioners:			
Djohan Emir Setijoso	23,199,582	1,450	0.09
Tonny Kusnadi	1,097,183	69	0.01
Directors:			
Jahja Setiaatmadja	8,180,380	511	0.03
Eugene Keith Galbraith	1,435,365	90	0.01
Armand W. Hartono	851,213	53	0.00
Suwignyo Budiman	7,332,825	458	0.03
Subur Tan	2,606,100	163	0.01
Henry Koenaifi	835,257	52	0.00
Erwan Yuris Ang	1,526,500	95	0.01
Rudy Susanto	345,500	22	0.00
Lianawaty Suwono	110,000	7	0.00
Santoso	120,580	7	0.00
Inawaty Handoyo	58,100	4	0.00
Public shareholders <sup>**)</sup>	10,627,241,439	664,203	43.11
	<u>24,655,010,000</u>	<u>1,540,938</u>	<u>100.00</u>

\*) The shareholders of PT Dwimuria Investama Andalan are Mr. Robert Budi Hartono and Mr. Bambang Hartono, therefore, the ultimate shareholders of PT Bank Central Asia Tbk are Mr. Robert Budi Hartono and Mr. Bambang Hartono.

\*\*\*) In the public shareholders composition, there was 2.49% shares owned by parties affiliated with PT Dwimuria Investama Andalan.

## 26. ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital as of 31 December 2018 and 2017 consists of:

	2018	2017
Additional paid-in capital from share capital payments	29,453,007	29,453,007
Elimination of accumulated loss through quasi-reorganisation on 31 October 2000 <sup>*)</sup>	(25,853,162)	(25,853,162)
Additional paid-in capital from the exercise of stock options	296,088	296,088
Additional paid-in capital from treasury stock transactions (Note 1c)	1,815,435	1,815,435
Difference in values from business combination transaction of entities under common control (Note 2e)	(162,391)	(162,391)
	<u>5,548,977</u>	<u>5,548,977</u>

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**26. ADDITIONAL PAID-IN CAPITAL (continued)**

\*) On 31 October 2000, the Bank adopted SFAS No. 51, "Accounting for Quasi-Reorganisation" to achieve a "fresh start" reporting. Fresh start reporting requires the revaluation of all its assets and liabilities recorded by using the fair value and elimination of its accumulated deficit. Pursuant to the implementation of quasi-reorganisation, the Bank's accumulated losses as of 31 October 2000 amounted to Rp 25,853,162 had been eliminated against the additional paid-in capital. The implementation of quasi-reorganisation had been approved by Bank Indonesia through its Letter No. 3/165/DPwB2/IDWB2 dated 21 February 2001 and by the shareholders in their Extraordinary General Meeting of Shareholders on 12 April 2001 (the minutes of meeting prepared by Notary Hendra Karyadi, S.H., in Notary Deed No. 25).

**27. COMMITMENTS AND CONTINGENCIES**

As of 31 December 2018 and 2017, the Group commitments and contingencies were as follows:

	Type of Currencies	2018		2017	
		Amount in foreign currencies <sup>1)</sup>	Rupiah equivalent	Amount in foreign currencies <sup>1)</sup>	Rupiah equivalent
<b>Commitments</b>					
<u>Committed receivables:</u>					
Borrowing facilities received and unused	Rupiah USD		2,595,000 1,725,600	69,607,219	1,902,204 944,396
			4,320,600		2,846,600
<u>Committed liabilities:</u>					
Unused credit facilities to customers - committed	Rupiah USD Others, USD equivalent	594,607,585	136,926,268 8,550,457 122,832	678,899,948 6,306,435	127,514,721 9,210,975 85,563
			145,599,557		136,811,259
Unused credit facilities to other banks - committed	Rupiah USD	-	1,260,022 -	11,207,407	2,533,547 152,057
			1,260,022		2,685,604
Irrevocable Letters of Credit facilities to customers	Rupiah USD Others, USD equivalent	406,756,872	2,688,503 5,849,164 1,828,296	374,498,840 57,822,163	1,888,365 5,081,013 784,502
			10,365,963		7,753,880
			157,225,542		147,250,743
<b>Contingencies</b>					
<u>Contingent receivables:</u>					
Bank guarantees received	Rupiah USD	-	549,426 -	20,779,882	459,555 281,931
			549,426		741,486
Interest receivables on non-performing assets	Rupiah USD Others, USD equivalent	571,000	384,046 8,211 -	1,242,961 808	302,779 16,864 11
			392,257		319,654
			941,683		1,061,140

\*) Total in full amount.

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**27. COMMITMENTS AND CONTINGENCIES (continued)**

As of 31 December 2018 and 2017, the Group commitments and contingencies were as follows:  
(continued)

	Type of Currencies	2018		2017	
		Amount in foreign currencies <sup>1)</sup>	Rupiah equivalent	Amount in foreign currencies <sup>1)</sup>	Rupiah equivalent
<b>Contingencies (continued)</b>					
<b>Contingent liabilities: (continued)</b>					
Bank guarantee issued to customers	Rupiah		12,566,770		11,302,659
	USD	180,778,819	2,599,599	176,221,708	2,390,888
	Others, USD equivalent	5,202,550	74,813	8,913,301	120,931
			15,241,182		13,814,478

<sup>1)</sup> Total in full amount.Additional information

As of 31 December 2018 and 2017, the Group had unused credit facilities to customers - uncommitted amounting to Rp 55,587,325 and Rp 49,222,154, respectively.

As of 31 December 2018 and 2017, the Group had unused credit facilities to other Banks - uncommitted amounting to Rp 2,353 and Rp 2,039, respectively.

The Bank is a party to various unresolved legal actions, administrative proceedings, and claims in the ordinary course of its business. It is not possible to predict with certainty whether or not the Bank will be successful in any of these legal matters or, if not, what the impact might be. However, the Bank's management does not expect that the results in any of these proceedings will have a material adverse effect on the Bank's results of operations, financial position, or liquidity.

Commitments and contingencies from related parties are disclosed in Note 47.

**28. INTEREST AND SHARIA INCOME**

Interest and sharia income consist of:

	2018	2017
<u>Interest income</u>		
Loan receivable	43,519,187	40,014,457
Placements with Bank Indonesia and other banks	940,923	873,775
Investment securities	6,629,504	7,083,517
Securities purchased under agreements to resell	970,338	1,519,233
Consumer financing and investment in finance leases	3,016,494	3,077,396
Bills receivable	533,588	364,901
Others	571,925	337,506
	56,181,959	53,270,785
<u>Sharia income</u>		
Sharia profit sharing	584,841	497,154
	584,841	497,154
Total interest and sharia income	56,766,800	53,767,939

Included in interest income from loans receivable and investment securities were interest from the effect of discounting (unwinding interest) of impaired financial assets for the year ended 31 December 2018 amounting to Rp (28,951) and Rp nil, respectively (2017: Rp 36,215 and Rp 7,427).

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**28. INTEREST AND SHARIA INCOME** (continued)

Interest income from loans receivable to related parties is disclosed in Note 47.

**29. INTEREST AND SHARIA EXPENSES**

Interest and sharia expenses consist of:

	<u>2018</u>	<u>2017</u>
<u>Interest expenses</u>		
Deposits from customers	9,680,798	10,252,581
Deposits from other banks	73,611	37,944
Guarantee premium	1,240,519	1,140,804
Debt securities issued	48,683	109,600
Securities sold under agreements to repurchase	7,863	5,308
Borrowings	112,912	155,976
Others	54,574	-
	<u>11,218,960</u>	<u>11,702,213</u>
	-----	-----
<u>Sharia expense</u>		
Sharia	257,295	239,252
	<u>257,295</u>	<u>239,252</u>
	-----	-----
Total interest and sharia expenses	<u>11,476,255</u>	<u>11,941,465</u>

Interest and sharia expenses for deposits from customers to related parties are disclosed in Note 47.

**30. FEE AND COMMISSION INCOME - NET**

Represent fee and commission income related to:

	<u>2018</u>	<u>2017</u>
Deposits from customers	4,061,993	3,584,346
Loans receivable	1,491,889	1,354,397
Payment settlement	1,559,668	1,471,436
Credit cards	3,259,600	2,772,191
Remittance, clearing and collections	317,175	299,676
Others	1,307,820	905,954
Total	11,998,145	10,388,000
Fee and commission expenses	(1,805)	(2,162)
Fee and commission income - net	<u>11,996,340</u>	<u>10,385,838</u>

Fee and commission income from loans receivable were fee and commission income related to disbursement of loan facilities which were not an integral part of effective interest rates.



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**31. NET TRADING INCOME**

Net trading income consists of:

	<u>2018</u>	<u>2017</u>
Interest income from financial assets held for trading	45,060	31,255
Unrealised gains from financial assets held for trading - net	1,985,594	305,663
Gain on spot and derivative transactions - net	136,382	769,037
Gain on sale of financial assets held for trading - net	640,313	697,586
	<u>2,807,349</u>	<u>1,803,541</u>

**32. IMPAIRMENT LOSSES ON ASSETS**

	<u>2018</u>	<u>2017</u>
Acceptance receivables (Note 9c)	(85,124)	237,245
Loans receivable (Note 12f)	2,645,057	1,831,813
Consumer financing receivables (Note 13)	286,436	335,827
Sharia financing	21,636	23,506
Investment securities (Note 14)	(190,057)	197,108
Others	(1,346)	7,120
	<u>2,676,602</u>	<u>2,632,619</u>

**33. PERSONNEL EXPENSES**

	<u>2018</u>	<u>2017</u>
Salaries and wages	5,941,982	5,596,199
Employees' benefits and compensations	4,607,808	4,211,753
Post-employment benefits (Note 38)	984,046	974,377
Training	335,991	297,826
Pension plan contribution	273,279	255,000
	<u>12,143,106</u>	<u>11,335,155</u>

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**34. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2018</u>	<u>2017</u>
Office supplies	4,314,836	4,014,943
Depreciation	1,667,298	1,644,555
Communication	1,466,736	1,229,870
Rental	1,445,845	1,349,278
Repair and maintenance	1,285,133	1,427,273
Promotion	1,108,898	997,910
Professional fees	447,893	544,981
Amortisation of intangible assets - software	414,310	176,448
Water, electricity and fuel	285,268	281,049
Tax	121,584	112,103
Computer and software	102,877	160,107
Transportation	39,633	41,203
Research and development	36,150	27,897
Insurance	32,430	38,444
Security	20,715	18,838
Others	236,986	240,751
	<u>13,026,592</u>	<u>12,305,650</u>

**35. BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated based on the weighted average number of shares outstanding during the year, as follows:

	<u>2018</u>	<u>2017</u>
Net income attributable to equity holder of the parent entity	25,855,154	23,309,994
Weighted average number of outstanding shares (full amount)	24,655,010,000	24,655,010,000
Basic and diluted earnings per share attributable to equity holder of the parent entity (full amount of Rupiah)	1,049	945

As of 31 December 2018 and 2017, there were no instruments which can potentially be converted into common shares. Therefore, diluted earnings per share is equivalent to basic earnings per share.

**36. APPROPRIATION OF NET INCOME**

The Bank's Annual General Meeting of Shareholders on 5 April 2018 (the minutes was prepared by Notary Dr. Irawan Soerodjo, S.H., MSi. with Notary Deed No. 25) resolved the appropriation of 2017 net income, as follows:

- Allocate 1% (one percent) of 2017 net income for general reserve amounting to Rp 233,100.
- Distribute cash dividends amounting to Rp 6,287,027 (Rp 255 (full amount) per share) to shareholders who have the right to receive cash dividends. The actual cash dividends paid was Rp 4,314,626 on 30 April 2018 (interim dividend for year 2017 amounting to Rp 1,972,401 had been paid on 20 December 2017).
- Determine the tantiem for the members of Board of Commissioners and Board of Directors on duty in 2016 with a maximum amount of Rp 355,000 from the 2017 net income. The actual amount of tantiem paid was Rp 354,950.
- Determine the remaining 2017 net income after dividends as unappropriated retained earnings.

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**36. APPROPRIATION OF NET INCOME** (continued)

The Bank's Annual General Meeting of Shareholders on 5 April 2018 also resolved to grant the power and authority to the Bank's Board of Directors (with approval from Board of Commissioners) to pay interim dividend for the year 2018, where possible, by considering the financial condition of the Bank.

In accordance with the Board of Directors' Decision Letter dated 22 November 2018 No. 184 regarding the Distribution of Interim Dividends for year 2018, the Board of Directors resolved that the Bank will pay interim dividends to shareholders from the 2018 net income amounting to Rp 85 (full amount) per share. The actual interim dividends paid amounting to Rp 2,095,676.

The Bank's Annual General Meeting of Shareholders on 6 April 2017 (the minutes was prepared by Notary Dr. Irawan Soerodjo, S.H., MSi. with Notary Deed No. 19) resolved the appropriation of 2016 net income, as follows:

- a. Allocate 1% (one percent) of 2016 net income for general reserve amounting to Rp 206,057.
- b. Distribute cash dividends amounting to Rp 4,931,002 (Rp 200 (full amount) per share) to shareholders who have the right to receive cash dividends. The actual cash dividends paid was Rp 3,205,152 (interim dividend for year 2016 amounting to Rp 1,725,850 had been paid on 22 December 2016).
- c. Determine the tantiem for the members of Board of Commissioners and Board of Directors on duty in 2016 with a maximum amount of Rp 309,086 from the 2016 net income. The actual amount of tantiem paid was Rp 308,114.
- d. Determine the remaining 2016 net income after dividends as unappropriated retained earnings.

The Bank's Annual General Meeting of Shareholders on 6 April 2017 also resolved to grant the power and authority to the Bank's Board of Directors (with approval from Board of Commissioners) to pay interim dividend for the year 2017, where possible, by considering the financial condition of the Bank.

In accordance with the Board of Directors' Decision Letter dated 21 November 2017 No. 159/SK/DIR/2017 regarding the Distribution of Interim Dividends for year 2017, the Board of Directors resolved that the Bank will pay interim dividends to shareholders from the 2017 net income amounting to Rp 80 (full amount) per share. The actual interim dividends paid amounting to Rp 1,972,401.

**37. FINANCIAL INSTRUMENTS****Classification of financial assets and financial liabilities**

Financial instruments have been classified based on their respective classifications. The significant accounting policies in Note 2g describe how the categories of the financial assets and liabilities are measured and how income and expenses, including fair value gains and losses (changes in fair value of financial instruments) are recognised.

**Valuation models of financial instruments**

The Group measures fair values using the following hierarchy of methods:

- Level 1: inputs that are quoted prices (unadjusted) in active markets for identical instruments that the Group can access at the measurement date.

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**37. FINANCIAL INSTRUMENTS (continued)****Valuation models of financial instruments (continued)**

The Group measures fair values using the following hierarchy of methods: (continued)

- Level 2: inputs other than quoted prices included within level 1 that are observable either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active market are based on quoted market prices. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, benchmark interest rate, credit spreads and other variables used in estimating discount rates, bond prices, foreign currency exchange rates, and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair values of common and more simple financial instruments, such as interest rate and currency swaps that used only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt securities and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the needs for management judgement and estimation and also reduces the uncertainty associated with determining the fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Management judgement and estimation are usually required for selection of the appropriate valuation models to be used, determination of expected future cash flows on the financial instruments being valued, determination of the probability of counterparty default, prepayments and selection of appropriate discount rates.

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## 37. FINANCIAL INSTRUMENTS (continued)

## Valuation Framework

Valuation of financial assets and financial liabilities are subject to an independent review from the business by Finance and Planning Division (“DKP”) and Risk Management Work Unit (“SKMR”). DKP is primarily responsible for ensuring that valuation adjustments have been properly accounted for. SKMR performs an independent price validation to ensure that the Bank uses reliable market data from independent sources, e.g., traded prices and broker quotes.

Valuation model is proposed by SKMR and approved by the management. SKMR performs a periodic review of the feasibility of the market data sources used for valuation. The market data used for price validation may include those sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and pricing providers. The market data used should be representative of the market as much as possible, which can evolve over time as markets and financial instruments develop. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing providers are taken into consideration.

## Valuation of financial instruments

## Financial instruments measured at fair value

The following table sets out the carrying amounts and fair values of financial instruments of the Group, measured at fair values, and their analysis by the level in the fair value hierarchy.

	2018			
	Carrying amount			Fair value
	Held for trading	Available-for-sale	Total	Level 2
<b>Financial assets</b>				
Placements with Bank Indonesia and other banks	-	2,042,267	2,042,267	2,042,267
Financial assets held for trading	5,841,824	-	5,841,824	5,841,824
Investment securities	-	94,646,524	94,646,524	94,646,524
	5,841,824	96,688,791	102,530,615	102,530,615
<b>Financial liabilities</b>				
Financial liabilities held for trading	188,934	-	188,934	188,934
	188,934	-	188,934	188,934
	2017			
	Carrying amount			Fair value
	Held for trading	Available-for-sale	Total	Level 2
<b>Financial assets</b>				
Placements with Bank Indonesia and other banks	-	4,036,521	4,036,521	4,036,521
Financial assets held for trading	6,015,302	-	6,015,302	6,015,302
Investment securities	-	107,047,769	107,047,769	107,047,769
	6,015,302	111,084,290	117,099,592	117,099,592
<b>Financial liabilities</b>				
Financial liabilities held for trading	53,843	-	53,843	53,843
	53,843	-	53,843	53,843

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**37. FINANCIAL INSTRUMENTS (continued)**

**Valuation of financial instruments (continued)**

**Financial instruments measured at fair value (continued)**

Fair value of available-for-sale placements with Bank Indonesia and other banks was calculated using valuation techniques based on the Bank's internal model, which is a discounted cash flow method. Input used in the valuation techniques is market interest rate for money market instruments which have similar credit characteristics, maturity and yield.

As of 31 December 2018 and 2017, the fair value of held for trading securities was based on market price issued by pricing provider (Indonesian Bond Pricing Agency/"IBPA"). If the information is not available, the fair value is estimated using the quoted market prices of securities which have similar credit characteristics, maturity and yield.

As of 31 December 2018 and 2017, the fair value of available-for-sale investment securities was based on market price issued by pricing provider (Indonesian Bond Pricing Agency/"IBPA"). If the information is not available, the fair value was estimated using the quoted market prices of securities which have similar credit characteristics, maturity and yield.

As of 31 December 2018 and 2017, the fair value of available-for-sale investment securities did not include the fair value of investments in shares amounting to Rp 606,279 and Rp 258,005, respectively, which were valued at cost, since the fair value cannot be measured reliably.

The Group did not have financial assets and financial liabilities measured at fair value which the measurements fall under level 1 and level 3 hierarchy.

**Financial instruments not measured at fair value**

The following table sets out the carrying amounts and fair values of financial instruments of the Group, which are not measured at fair values and their analysis by the level in the fair value hierarchy.

	2018			Fair value			
	Carrying amount		Total	Level 2	Level 3	Total	
Held-to-maturity	Loans and receivables	Other amortised cost					
<b>Financial assets</b>							
Loans receivable	-	524,530,462	-	524,530,462	23,857,038	497,789,407	521,646,445
Consumer financing receivables	-	7,613,709	-	7,613,709	-	7,404,601	7,404,601
Investment in finance leases	-	174,212	-	174,212	-	162,193	162,193
Investment securities	13,827,860	-	-	13,827,860	13,811,581	-	13,811,581
	13,827,860	532,318,383	-	546,146,243	37,668,619	505,356,201	543,024,820
<b>Financial liabilities</b>							
Deposits from customers	-	-	629,812,017	629,812,017	629,812,017	-	629,812,017
Deposits from other banks	-	-	6,494,491	6,494,491	6,494,491	-	6,494,491
Debt securities issued	-	-	239,735	239,735	240,306	-	240,306
Borrowings	-	-	2,093,475	2,093,475	-	2,095,694	2,095,694
Subordinated bonds	-	-	500,000	500,000	500,000	-	500,000
	-	-	639,139,718	639,139,718	637,046,814	2,095,694	639,142,508

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**37. FINANCIAL INSTRUMENTS (continued)****Valuation of financial instruments (continued)**

	2017						
	Carrying amount			Fair value			
	Held-to-maturity	Loans and receivables	Other amortised cost	Total	Level 2	Level 3	Total
<b>Financial assets</b>							
Loans receivable	-	454,264,956	-	454,264,956	13,030,912	441,180,718	454,211,630
Consumer financing receivables	-	8,506,983	-	8,506,983	-	8,218,786	8,218,786
Investment in finance leases	-	181,427	-	181,427	-	172,867	172,867
Investment securities	23,785,389	-	-	23,785,389	24,353,403	-	24,353,403
	23,785,389	462,953,366	-	486,738,755	37,384,315	449,572,371	486,956,686
<b>Financial liabilities</b>							
Deposits from customers	-	-	581,115,442	581,115,442	581,115,442	-	581,115,442
Deposits from other banks	-	-	5,758,414	5,758,414	5,758,414	-	5,758,414
Debt securities issued	-	-	610,499	610,499	616,781	-	616,781
Borrowings	-	-	3,040,602	3,040,602	-	3,048,138	3,048,138
	-	-	590,524,957	590,524,957	587,490,637	3,048,138	590,538,775

Majority of the financial instruments not measured at fair value are measured at amortised cost.

The following financial instruments are short-term financial instruments or financial instruments which are re-priced periodically to current market rates, therefore, the fair values of financial instruments are reasonable approximation of carrying value.

**Financial assets:**

- Cash
- Current accounts with Bank Indonesia
- Current accounts with other banks
- Placements with Bank Indonesia and other banks
- Acceptance receivables
- Bills receivables
- Securities purchased under agreements to resell
- Other assets

**Financial liabilities:**

- Securities sold under agreements to repurchase
- Acceptance payables
- Other liabilities

As of 31 December 2018 and 2017, the fair values of loans receivable, consumer financing receivables, investment in finance leases and borrowings were determined using discounted cash flows based on internal interest rate.

As of 31 December 2018 and 2017, the fair values of held-to-maturity securities and debt securities issued based on market prices issued by pricing provider (Indonesian Bond Pricing Agency/"IBPA"). If the information is not available, the fair values were estimated using quoted market prices of securities which have similar credit characteristics, maturity and yield.

As of 31 December 2018 and 2017, the fair values of deposits from customers and deposits from other banks are the same with the carrying amount because they are payable on demand in nature.

The fair values calculated are for disclosure purposes only and do not have any impact on the Group reported financial performance or position. The fair values calculated by the Bank Subsidiaries may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument. As certain categories of financial instruments are not traded, there is management judgment involved in calculating their fair values.

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**38. POST-EMPLOYMENT BENEFITS OBLIGATION**

In accordance with Law of the Republic of Indonesia No. 13/2003 concerning Manpower, the Bank is required to provide post-employment benefits to its employees when their employments are terminated or when they retire. These benefits are primarily based on years of services and the employees' compensation at termination or retirement. These post-employment benefits are defined benefits program.

The Bank also had a defined contribution pension plan that covers all permanent employees who fulfilled the criteria determined by the Bank. This defined contribution pension plan is managed and administered by Dana Pensiun BCA which was established by the Bank to manage the assets, generate investment income and pay the post-employment benefits to the employees. The establishment of Dana Pensiun BCA had been ratified by the Minister of Finance of Republic of Indonesia in its Decision Letter No. KEP-020/KM.17/1995 dated 25 January 1995. The contribution to the pension plan is computed based on certain percentage of employees' basic salary, for which the contribution from employees and the Bank are 3% (three percent) and 5% (five percent), respectively. Three percent of accumulated contribution from the Bank to the pension fund is used as a deduction against the post-employment benefits obligation in accordance with the manpower law.

During the year ended 31 December 2018 and 2017, the Bank provided some funds to support the fulfillment of its post-employment benefit obligations amounting to Rp 501,490 and Rp 1,360,448, respectively. These funds were placed in several insurance companies in the form of saving plan program and *Dana Pensiun Lembaga Keuangan* ("DPLK") in the form of *Program Pensiun Untuk Kompensasi Pesangon* ("PPUKP") for the year ended 31 December 2018 and 2017, which meet the criteria to be recorded as plan assets.

The defined benefit pension plan provides actuarial risk exposures to the Bank, e.g., investment risk, interest rate risk and inflation risk.

Post-employment benefits provided by the Bank consist of pension, other long-term compensations in the form of service award, and post-employment healthcare benefits. The post-employment benefits obligation as of 31 December 2018 and 2017 was calculated by PT Towers Watson Purbajaga (Biro Pusat Aktuaria), as the Bank's independent actuary, using the projected-unit-credit method. The main assumptions used by independent actuary were as follows:

	<u>2018</u>	<u>2017</u>
Economic assumptions:		
Annual discount rate	8.00%	6.50%
Annual basic salary growth rate	9.00%	9.00%
Healthcare cost rate	10.00%	10.00%

The discount rate is used in determining the present value of the post-employment benefits obligation at valuation date. In general, the discount rate correlates with the yield on high quality government bonds that are traded in active capital markets at the reporting date.

The future basic salary growth assumption projects the post-employment benefits obligations starting from the valuation date through the normal retirement age. The basic salary growth rate is generally determined by applying inflation adjustment to payment scales and by taking into account of the years of service.

The Bank's obligation for post-employment benefits for the years ended 31 December 2018 and 2017 was in accordance with the independent actuary reports dated 03 January 2019 and 23 January 2018, respectively.



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## 38. POST-EMPLOYMENT BENEFITS OBLIGATION (continued)

## a. Post-employment benefits obligation

The post-employment benefits obligation as of 31 December 2018 and 2017 was as follows:

	Defined benefit pension plan and other long-term compensations		Post-employment healthcare benefits	
	2018	2017	2018	2017
Present value of obligation for post-employment benefits	10,469,846	10,801,602	236,760	249,861
Fair value of plan assets	(4,410,076)	(4,688,075)	-	-
Net obligation for post-employment benefits - Bank	6,059,770	6,113,527	236,760	249,861

The Subsidiaries' obligation for post-employment benefits as of 31 December 2018 and 2017 which were recorded in the consolidated statements of financial position amounting to Rp 109,527 and Rp 142,895, respectively.

## b. Movement of post-employment benefits obligation

	Defined benefit pension plan and other long-term compensations		Post-employment healthcare benefits	
	2018	2017	2018	2017
<b>Movement in the defined benefit obligation</b>				
Defined benefit obligation, beginning of the year - Bank	6,113,527	5,838,057	249,861	254,195
<b>Included in profit or loss</b>				
Current service cost	575,971	495,104	11,540	3,819
Interest cost	340,519	404,063	15,935	20,034
Termination cost	20,540	13,692	-	-
<b>Included in other comprehensive income</b>				
Actuarial gains/(losses) arising from:				
Changes in financial assumptions	(1,054,597)	1,048,069	(8,237)	26,048
Changes in demographic assumptions	-	(5,684)	-	(17,765)
Experience adjustment	353,216	4,479	(24,089)	(33,147)
Return on plan assets excluding interest income	371,291	(211,993)	-	-
<b>Others</b>				
Fund placements in insurance companies (plan assets)	(501,490)	(1,360,448)	-	-
Benefits paid directly by the Bank	(159,207)	(111,812)	(8,250)	(3,323)
Post-employment benefits obligation, end of the year - Bank	6,059,770	6,113,527	236,760	249,861

The Subsidiaries' post-employment benefits expenses for the years ended 31 December 2018 and 2017 recorded in the profit or loss amounting to Rp 19,541 and Rp 37,666, respectively, while total payment of employees' benefits by Subsidiaries for the years ended 31 December 2018 and 2017 amounting to Rp 6,214 and Rp 13,147, respectively.

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## 38. POST-EMPLOYMENT BENEFITS OBLIGATION (continued)

## c. The composition of plan assets

The composition of plan assets from pension fund for the years ended 31 December 2018 and 2017, are as follows:

	Percentage allocation as of 31 December 2018 Quoted market price for severance program			Percentage allocation as of 31 December 2018 Quoted market price for DPLK PPUK		
	AIA	Allianz	Manulife	AIA	Allianz	Manulife
	Shares	0.00%	0.00%	0.00%	15.15%	12.75%
Bonds	0.00%	0.00%	0.00%	70.37%	66.87%	67.19%
Property	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Derivative	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	100.00%	100.00%	100.00%	14.48%	20.38%	22.78%
Others	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

	Percentage allocation as of 31 December 2017 Quoted market price for severance program			Percentage allocation as of 31 December 2017 Quoted market price for DPLK PPUK		
	AIA	Allianz	Manulife	AIA	Allianz	Manulife
	Shares	0.00%	0.00%	0.00%	12.34%	12.04%
Bonds	0.00%	0.00%	0.00%	69.90%	65.52%	69.78%
Property	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Derivatives	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	100.00%	100.00%	100.00%	17.76%	22.44%	18.55%
Others	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

## d. Changes in fair value of plan assets for post-employment program

	2018	2017
Fair value of plan assets, beginning of the year - Bank	4,688,075	3,218,848
Fund placements in insurance companies	501,490	1,360,448
Return on plan assets excluding interest income	(371,291)	211,993
Interest income on plan assets	338,133	301,009
Post-employment benefits paid	(746,331)	(404,223)
Fair value of plan assets, end of the year - Bank	4,410,076	4,688,075

## e. Historical information - Bank:

	31 December				
	2018	2017	2016	2015	2014
<b>Defined benefits pension plan and other long-term compensation</b>					
Present value of post-employment benefits obligation	10,469,846	10,801,602	9,056,905	8,454,073	7,261,955
Fair value of plan assets	(4,410,076)	(4,688,075)	(3,218,848)	(1,886,693)	(805,074)
Deficit	6,059,770	6,113,527	5,838,057	6,567,380	6,456,881
Experience adjustment on plan liabilities	353,216	4,479	6,803	865,028	201,031
Experience adjustment on plan assets	371,291	(211,993)	(69,840)	70,863	(5,074)
<b>Post-employment healthcare benefits</b>					
Present value of post-employment benefits obligation	236,760	249,861	254,195	235,958	211,003
Experience adjustment on plan liabilities	(24,089)	(50,912)	(23,948)	(15,214)	(34,239)

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**38. POST-EMPLOYMENT BENEFITS OBLIGATION (continued)****f. Sensitivity analysis**

Changes in 1 (one) percentage of actuarial assumptions will have the following impacts:

	2018					
	Defined benefit pension plan		Other long-term compensations		Post-employment healthcare benefits	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(413,689)	463,172	(217,410)	216,420	(15,167)	16,884
Basic salary rate (1% movement)	523,998	(476,008)	220,823	(200,569)	-	-
Healthcare cost rate (1% movement)	-	-	-	-	16,220	(14,880)

  

	2017					
	Defined benefit pension plan		Other long-term compensations		Post-employment healthcare benefits	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(480,906)	541,703	(235,399)	265,928	(17,842)	19,989
Basic salary rate (1% movement)	598,607	(541,107)	254,284	(229,839)	-	-
Healthcare cost rate (1% movement)	-	-	-	-	19,123	(17,445)

**g. Expected maturity analysis of undiscounted pension benefits and post-employment healthcare benefits is as follows:**

	Up to 10 years	10 - 20 years	20 - 30 years	30 - 40 years
Pension benefit	10,057,457	6,471,406	6,967,958	1,230,247
Other long-term compensations	4,488,545	3,039,268	5,053,495	597,172
Post-employment healthcare benefits	311,811	328,095	115,074	-

**h.** The Bank expects to pay Rp 217,099 in contribution to its defined contribution pension plan in 2019.

**i.** The weighted-average duration of the defined benefits obligation was 6.65 years and 7.36 years as of 31 December 2018 and 2017, respectively.

**39. CUSTODIAL SERVICES**

The Bank's Custodial Services Bureau obtained its license to provide custodial services from the Capital Market Supervisory Agency (Bapepam, currently Financial Services Authority or "OJK") under its Decision Letter No. KEP-148/PM/1991 dated 13 November 1991.

The services offered by the Bank's Custodian Services Bureau include safekeeping, settlement and transaction handling, income collection, proxy, corporate action, cash management, investment recording/reporting and tax reclamation.

As of 31 December 2018 and 2017, assets administered by the Bank's Custodian Services Bureau consist of shares, bonds, time deposits, certificate of deposits, commercial papers and other money market instruments amounting to Rp 86,092,611 and Rp 69,157,770, respectively.

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## 40. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Balances of monetary assets and liabilities in foreign currencies were as follows:

	2018		2017	
	Foreign currencies (in thousand)	Rupiah equivalent	Foreign currencies (in thousand)	Rupiah equivalent
<b>Monetary assets</b>				
Cash				
US Dollar (USD)	28,691	412,580	34,372	466,344
Australian Dollar (AUD)	8,761	89,027	3,784	40,088
Singapore Dollar (SGD)	16,566	174,849	20,580	208,984
Hong Kong Dollar (HKD)	5,030	9,237	11,543	20,040
GB Poundsterling (GBP)	356	6,523	664	12,165
Japanese Yen (JPY)	63,689	8,319	110,980	13,375
Euro (EUR)	4,147	68,182	5,381	87,372
Others, USD equivalent	4,059	58,364	2,796	37,936
		827,081		886,304
Current accounts with Bank Indonesia				
US Dollar (USD)	339,682	4,884,631	348,659	4,730,425
Current accounts with other banks				
US Dollar (USD)	386,591	5,559,179	425,410	5,771,745
Australian Dollar (AUD)	21,802	221,560	19,669	208,376
Singapore Dollar (SGD)	143,671	1,516,440	123,660	1,255,714
Hong Kong Dollar (HKD)	19,408	35,638	34,665	60,185
GB Poundsterling (GBP)	6,382	116,858	2,448	44,858
Japanese Yen (JPY)	2,465,339	322,022	2,941,874	354,555
Euro (EUR)	21,548	354,270	60,826	987,584
Others, USD equivalent	25,135	361,436	19,341	262,404
		8,487,403		8,945,421
Placements with Bank Indonesia and other banks				
US Dollar (USD)	452,777	6,510,930	500,198	6,786,430
Australian Dollar (AUD)	31,000	315,033	36,000	381,391
Hong Kong Dollar (HKD)	27,656	50,784	34,878	60,555
		6,876,747		7,228,376
Financial assets held for trading				
US Dollar (USD)	100,315	1,442,526	31,906	432,887
Singapore Dollar (SGD)	32	337	13	136
Hong Kong Dollar (HKD)	10	19	8	14
Japanese Yen (JPY)	7,691	1,004	1,546	186
Others, USD equivalent	10	149	30	410
		1,444,035		433,633
Acceptance receivables - net				
US Dollar (USD)	502,801	7,230,274	498,973	6,769,812
Australian Dollar (AUD)	-	-	25	270
Singapore Dollar (SGD)	11	114	408	4,144
Japanese Yen (JPY)	1,602,422	209,308	1,604,854	193,417
Euro (EUR)	31,543	518,586	19,488	316,404
GB Poundsterling (GBP)	221	4,047	-	-
Others, USD equivalent	2,701	38,842	398	5,397
		8,001,171		7,289,444

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## 40. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)

Balances of monetary assets and liabilities in foreign currencies were as follows: (continued)

	2018		2017	
	Foreign currencies (in thousand)	Rupiah equivalent	Foreign currencies (in thousand)	Rupiah equivalent
<b>Monetary assets</b> (continued)				
Bills receivable - net				
US Dollar (USD)	180,730	2,598,894	196,125	2,660,924
Hong Kong Dollar (HKD)	36,028	66,158	47,116	81,803
Japanese Yen (JPY)	18,845	2,462	2,051	247
Euro (EUR)	144	2,374	850	13,806
Others, USD equivalent	530	7,617	259	3,510
		2,677,505		2,760,290
Loans receivable - net				
US Dollar (USD)	2,140,114	30,774,833	1,985,219	26,934,457
Singapore Dollar (SGD)	46,397	489,715	48,946	497,022
Hong Kong Dollar (HKD)	144,895	266,068	142,997	248,273
Euro (EUR)	732	12,033	889	14,429
Others, USD equivalent	49	707	-	-
		31,543,356		27,694,181
Investment securities - net				
US Dollar (USD)	1,596,601	22,959,115	1,253,974	17,013,288
Hong Kong Dollar (HKD)	183,957	337,797	184,639	320,572
		23,296,912		17,333,860
Other assets - net				
US Dollar (USD)	14,061	202,204	12,368	167,808
Australian Dollar (AUD)	37	379	10	103
Singapore Dollar (SGD)	70	742	72	729
Hong Kong Dollar (HKD)	4,872	8,947	3,900	6,771
Japanese Yen (JPY)	9	1	13	2
Euro (EUR)	79	1,307	61	996
Others, USD equivalent	5	77	1	18
		213,657		176,427
<b>Monetary liabilities</b>				
Deposits from customers				
US Dollar (USD)	3,033,154	43,616,755	2,967,724	40,264,596
Australian Dollar (AUD)	59,779	607,491	56,882	602,615
Singapore Dollar (SGD)	218,203	2,303,114	204,212	2,073,678
Hong Kong Dollar (HKD)	9,134	16,772	6,421	11,148
GB Poundsterling (GBP)	5,230	95,766	1,917	35,127
Japanese Yen (JPY)	1,461,852	190,947	2,328,094	280,582
Euro (EUR)	54,469	895,514	56,789	922,041
Others, USD equivalent	25,396	365,191	17,383	235,841
		48,091,550		44,425,628

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## 40. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)

Balances of monetary assets and liabilities in foreign currencies were as follows: (continued)

	2018		2017	
	Foreign currencies (in thousand)	Rupiah equivalent	Foreign currencies (in thousand)	Rupiah equivalent
<b>Monetary liabilities</b> (continued)				
Deposits from other banks				
US Dollar (USD)	126,813	1,823,571	104,617	1,419,391
Australian Dollar (AUD)	424	4,311	27	285
Singapore Dollar (SGD)	1,097	11,578	32	326
		1,839,460		1,420,002
Financial liabilities held for trading				
US Dollar (USD)	91	1,306	102	1,383
Singapore Dollar (SGD)	34	357	20	201
Hong Kong Dollar (HKD)	3	5	10	17
Japanese Yen (JPY)	5,684	742	1,831	221
Others, USD equivalent	28	397	55	747
		2,807		2,569
Acceptance payables				
US Dollar (USD)	316,335	4,548,904	341,523	4,633,607
Australian Dollar (AUD)	-	-	25	270
Singapore Dollar (SGD)	-	-	436	4,424
Japanese Yen (JPY)	1,498,012	195,670	1,533,104	184,770
Euro (EUR)	12,916	212,354	19,232	312,254
GB Poundsterling (GBP)	110	2,022	-	-
Others, USD equivalent	2,236	32,148	327	4,440
		4,991,098		5,139,765
Securities sold under agreement to repurchase				
Hong Kong Dollar (HKD)	26,200	48,111	55,423	96,225
Borrowings				
US Dollar (USD)	4	57	81,774	1,109,469
Hong Kong Dollar (HKD)	78,334	143,843	76,620	133,029
Others, USD equivalent	24	353	25	338
		144,253		1,242,836
Accruals and other liabilities - net				
US Dollar (USD)	2,604	37,445	425	5,768
Australian Dollar (AUD)	29	291	41	437
Singapore Dollar (SGD)	3	27	3	27
Hong Kong Dollar (HKD)	883	1,621	180	313
GB Poundsterling (GBP)	-	1	-	2
Japanese Yen (JPY)	1	-	5	1
Euro (EUR)	15	252	16	266
Others, USD equivalent	12	174	12	161
		39,811		6,975

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## 41. OPERATING SEGMENTS

The Group disclosed the financial information based on the products were as follows:

	2018			
	Loans	Treasury	Others	Total
Assets	524,530,462	216,464,938	83,792,544	824,787,944
Loans receivable - net	524,530,462	-	-	524,530,462
Interest and sharia income	43,519,187	9,408,714	3,838,899	56,766,800
Fee-based income	4,112,448	75,365	10,750,318	14,938,131
	2017			
	Loans	Treasury	Others	Total
Assets	454,264,956	224,515,593	71,539,122	750,319,671
Loans receivable - net	454,264,956	-	-	454,264,956
Interest and sharia income	40,014,457	10,045,938	3,707,544	53,767,939
Fee-based income	3,591,374	69,652	9,692,804	13,353,830

The Group main operations are managed in Indonesian territory. Bank's business segment is classified into 5 (five) main geographic areas, which are Sumatera, Java, Kalimantan, East Indonesia and overseas operation.

Information regarding segment based on geographic of the Group is presented in table below:

	2018					Total
	Sumatera	Java	Kalimantan	East Indonesia	Overseas operation	
Interest and sharia income	3,341,209	50,454,784	1,048,497	1,886,898	35,412	56,766,800
Interest and sharia expense	(771,074)	(10,071,826)	(238,919)	(386,709)	(7,727)	(11,476,255)
Net interest and sharia income - net	2,570,135	40,382,958	809,578	1,500,189	27,685	45,290,545
Net fee and commission income - net	692,452	10,638,161	217,516	443,033	5,178	11,996,340
Net trading income - net	52,801	2,700,502	12,348	35,771	5,927	2,807,349
Other operating income	20,108	2,888,306	9,257	20,817	1,498	2,939,986
Total segment income	3,335,496	56,609,927	1,048,699	1,999,810	40,288	63,034,220
Depreciation and amortisation	(45,304)	(1,999,994)	(11,739)	(24,412)	(159)	(2,081,608)
Other material non-cash elements:						
Addition of impairment on financial assets	102,293	(2,416,393)	(68,922)	(293,722)	142	(2,676,602)
Other operating expenses	(1,236,204)	(23,146,516)	(403,921)	(753,556)	(29,749)	(25,569,946)
Income before tax	2,156,281	29,047,024	564,117	928,120	10,522	32,706,064
Income tax expense	-	-	-	-	-	(6,854,404)
Net income for the year	2,156,281	29,047,024	564,117	928,120	10,522	25,851,660
	2018					Total
	Sumatera	Java	Kalimantan	East Indonesia	Overseas operation	
Assets	54,136,829	725,271,031	17,008,223	27,621,371	750,490	824,787,944
Liabilities	54,136,829	569,471,430	17,008,223	27,621,362	200,935	668,438,779
Loans receivable - net	26,151,097	472,388,970	8,546,351	17,177,977	266,067	524,530,462
Deposits from customers	53,724,812	531,792,853	16,940,227	27,354,125	-	629,812,017
Sharia deposits	-	621,315	-	-	-	621,315
Temporary syirkah deposits	-	4,595,738	-	-	-	4,595,738

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## 41. OPERATING SEGMENTS (continued)

Information regarding segment based on geographic of the Group is presented in table below:  
(continued)

	2017					Total
	Sumatera	Java	Kalimantan	East Indonesia	Overseas operation	
Interest and sharia income	3,128,486	47,735,358	926,843	1,949,365	27,887	53,767,939
Interest and sharia expense	(795,759)	(10,411,147)	(240,303)	(490,435)	(3,821)	(11,941,465)
Net interest and sharia income - net	2,332,727	37,324,211	686,540	1,458,930	24,066	41,826,474
Net fee and commission income - net	641,338	9,138,822	195,494	405,025	5,159	10,385,838
Net trading income - net	56,458	1,685,713	16,001	31,788	13,581	1,803,541
Other operating income	21,219	2,902,724	8,233	31,691	1,963	2,965,830
Total segment income	3,051,742	51,051,470	906,268	1,927,434	44,769	56,981,683
Depreciation and amortisation	(30,140)	(1,759,823)	(10,116)	(20,766)	(158)	(1,821,003)
Other material non-cash elements:						
Addition of impairment on financial assets	(214,207)	(2,275,537)	31,870	(174,745)	-	(2,632,619)
Other operating expenses	(1,151,395)	(21,145,058)	(369,593)	(675,373)	(27,899)	(23,369,318)
Income before tax	1,656,000	25,871,052	558,429	1,056,550	16,712	29,158,743
Income tax expense	-	-	-	-	-	(5,837,593)
Net income for the year	1,656,000	25,871,052	558,429	1,056,550	16,712	23,321,150

  

	2017					Total
	Sumatera	Java	Kalimantan	East Indonesia	Overseas operation	
Assets	50,966,130	657,642,348	15,197,805	25,754,893	758,495	750,319,671
Liabilities	50,966,130	522,780,295	15,197,805	25,754,893	241,139	614,940,262
Loans receivable - net	22,853,296	407,728,902	6,624,657	16,809,828	248,273	454,264,956
Deposits from customers	50,111,534	491,374,504	15,128,492	24,500,912	-	581,115,442
Sharia deposits	-	478,698	-	-	-	478,698
Temporary syirkah deposits	-	3,977,715	-	-	-	3,977,715

## 42. FINANCIAL RISK MANAGEMENT

The Bank has exposures to the following risks:

- Asset and liability risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Consolidated risk

The following notes present information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and process which are undertaken by the Bank in measuring and managing risk.

## a. Risk management framework

The Bank recognises that in operating its business, there are inherent risks in its financial instruments, i.e. credit risk, liquidity risk, market risk which consists of foreign exchange risk and interest rate risk, operational risk, and other risk.

In order to control those risks, the Bank implemented an integrated Risk Management Framework which is stated in its Basic Policy of Risk Management ("KDMR"). This framework is used as a tool for determining the strategies, organisation, policies and guidances as well as the Bank's infrastructures to ensure that all risks faced by the Bank can be properly identified, measured, controlled and reported.



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**42. FINANCIAL RISK MANAGEMENT** (continued)**a. Risk management framework** (continued)

To implement an effective risk management, the Bank has established a Risk Management Committee whose functions are to address overall risk issues faced by the Bank and recommend risk management policies to the Board of Directors.

In addition to the above-mentioned committee, the Bank also has other committees which are responsible to handle specific risks, such as: Credit Policy Committee, Credit Committee and Asset and Liability Committee (“ALCO”).

The Bank always conducts a thorough risk assessment on management plan to release new products or activities in accordance with the type of risks regulated by the prevailing Bank Indonesia Regulations (“PBI”), Financial Services Authority Regulation (“POJK”) and other prevailing regulations.

**b. Assets and liabilities risk management**

ALCO is responsible for evaluating, recommending and establishing the Bank’s funding and investing strategies. Included in the scope of ALCO activities are managing liquidity risk, interest rate risk and foreign exchange risk; minimising funding cost and at the same time maintaining liquidity; and optimising the Bank’s interest income by allocating the funds to productive assets in a prudent manner.

ALCO is led by the President Director (concurrently as a member of ALCO), with other members consisting of 10 (ten) directors, Executive Vice President which supervise Treasury and International Banking Division, Executive Vice President which supervise Corporate Banking Group, Executive Vice President which supervise Finance and Planning Division also Corporate Secretary, Head of International Banking Division, Head of Treasury Division, Head of Finance and Planning Division, Head of Corporate Banking and Corporate Finance Group, Head of Commercials and SME Division, Head of Transaction Banking Product Development Division, Head of Business Development & Transaction Banking Marketing Division, Head of Transaction Banking Cooperation Solution Development Division, Head of Consumer Credit Business Unit and Head of Risk Management Unit.

The Bank’s asset and liability management process begins with an assessment of economic parameters affecting the Bank, which primarily consist of inflation rate, market liquidity, yield curve, US Dollar-Rupiah exchange rate, and other macro economic factors. Liquidity risks, foreign currency exchange risks and interest rate risks are reviewed by the Risk Management Unit and reported to ALCO. ALCO then decides the pricing strategy for the interest rates on deposits and loans based on the conditions and competition in the market.

**c. Credit risk management**

The credit organisation is continuously being improved with an emphasis on the four eyes principle, in which the credit decision is determined with the considerations of 2 (two) functions, i.e. business development function and credit risk analysis function.

The Bank has Basic Policy of Bank’s Credit (“KDPB”) which are continuously being improved, in line with the Bank’s development, PBI, POJK and in accordance with International Best Practices.

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**42. FINANCIAL RISK MANAGEMENT (continued)****c. Credit risk management (continued)**

The improvement on procedures and credit risk management system are conducted through the development of "Loan Origination System" which is a policy that regulates the workflow on loan origination process (end-to-end) in order to achieve an effective and efficient credit process. Risk profile measurement system is continuously being developed to determine the risk of debtor completely and correctly. The credit database development process is also continuously being conducted and improved.

The Credit Policy Committee is responsible for formulating credit policies, especially those that relate to prudence principles in credit, monitoring and evaluating the implementation of credit policies so that it can be applied consistently and in accordance with credit policy, and give advice and corrective actions to resolve problems in the implementation.

The Credit Committee was established to assist Board of Directors in evaluating and/or providing credit decisions in accordance with their level of authorisation through the Credit Committee Meeting or Directors' Circular Letter. The main functions of Credit Committee are as follows:

- providing further guidance if a thorough and comprehensive credit analysis is needed;
- making a decision or giving a recommendation on a credit proposal for big debtors and specific industries; and
- coordinating with ALCO, especially when it relates with sources of funding for credits.

The Bank has developed a debtor's risk rating system, which is known as the Internal Credit Risk Rating/Scoring System. The Internal Credit Risk Rating/Scoring System consists of 11 (eleven) categories of risk rating, from RR1 to RR10, and the worst is Loss. Bank also implements debtor risk rating system for consumptive segment, which is also called as Internal Credit Risk Scoring System, consists of ten risk rating categories starting from RR1 (the best/the lowest) until RR10 (the worst/the highest). Debtor's risk rating provides an authorised officer with a valuable input for a better and more appropriate credit decision.

To maintain the credit quality, monitoring over credit quality is performed regularly on each credit category (Corporate, Commercial, Small & Medium Enterprise ("SME") and Consumer) as well as to overall credit portfolio.

The Bank developed a credit risk management tools through credit portfolio stress testing analysis and monitoring the results of such stress testing. Stress testing is used by the Bank as a tool to estimate the impact of stressful condition in order to enable the Bank creating appropriate strategies to mitigate the risks as part of its contingency plan implementation.

In order to monitor and control credit risk of the Subsidiaries, the Bank monitors the Subsidiaries' credit risk regularly, to ensure that the Subsidiaries have a good and effective Credit Risk Management Policy.

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**42. FINANCIAL RISK MANAGEMENT (continued)**

**c. Credit risk management (continued)**

**i. Maximum exposure to credit risk**

For financial assets recognised in the consolidated statements of financial position, the maximum exposure to credit risk generally equals their carrying amount. For bank guarantees and irrevocable Letters of Credit issued, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the bank guarantees and irrevocable Letters of Credit issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the unused committed loan facilities granted to customers.

The following table presents maximum exposure to Bank and Subsidiaries credit risk of financial instruments in the consolidated statements of financial position (on-balance sheet) and consolidated administrative accounts (off-balance sheet).

	<u>2018</u>	<u>2017</u>
<b>Consolidated financial position :</b>		
Current accounts with Bank Indonesia	43,548,309	43,472,752
Current accounts with other banks	8,497,938	9,093,572
Placements with Bank Indonesia and other banks	31,682,811	18,969,682
Financial assets held for trading	5,841,824	6,015,302
Acceptance receivables	11,582,285	9,899,426
Bills receivable	8,600,709	6,614,355
Securities purchased under agreements to resell	9,212,684	9,258,767
Loans receivable	524,530,462	454,264,956
Consumer financing receivables	7,613,709	8,506,983
Investment in finance leases	174,212	181,427
Investment securities	109,080,663	131,091,163
Other assets		
Accrued income	3,712,424	3,552,347
Unaccepted notes receivable	88,221	76,095
Receivables from customer transactions	213,234	122,903
Receivables from insurance transactions	226,213	163,896
	<u>764,605,698</u>	<u>701,283,626</u>
<b>Consolidated administrative account :</b>		
Unused credit facilities to customers - committed	145,599,557	136,811,259
Unused credit facilities to other banks - committed	1,260,022	2,685,604
Irrevocable Letters of Credit issued	10,365,963	7,753,880
Bank guarantees issued to customers	15,241,182	13,814,478
	<u>172,466,724</u>	<u>161,065,221</u>
	<u>937,072,422</u>	<u>862,348,847</u>

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**42. FINANCIAL RISK MANAGEMENT (continued)**

**c. Credit risk management (continued)**

**ii. Concentration of credit risk analysis**

The Bank encourages the diversification of its credit portfolio among a variety of geographic area, industries and products in order to minimise the credit risk.

The concentration of loans by type of loan, currency and economic sector is disclosed in Note 12.

Based on counter party

The following table presents concentration of credit risk of the Group by counterparty:

	2018				Total
	Corporates	Government and Bank Indonesia	Bank	Individual	
<b>Consolidated financial position:</b>					
Current accounts with Bank Indonesia	-	43,548,309	-	-	43,548,309
Current accounts with other banks	-	-	8,497,938	-	8,497,938
Placement with Bank Indonesia and other banks	-	21,170,352	10,512,459	-	31,682,811
Financial assets held for trading	189,233	4,717,155	935,436	-	5,841,824
Acceptance receivables	11,428,458	167	475,907	13,603	11,918,135
Bills receivable	826,677	366,086	7,413,620	-	8,606,383
Securities purchased under agreements to resell	-	3,986,380	5,195,638	30,666	9,212,684
Loans receivable	326,317,336	2,500,000	23,857,038	185,425,074	538,099,448
Consumer financing receivables	239,107	-	196	7,738,434	7,977,737
Investment in finance leases	167,451	-	-	10,380	177,831
Investment securities	19,620,012	80,163,819	9,388,290	-	109,172,121
Other assets - net					
Accrued income	1,521,979	1,241,283	290,395	658,767	3,712,424
Unaccepted notes receivable	90,251	-	-	-	90,251
Receivables from customer transactions	14,716	-	-	198,518	213,234
Receivables from insurance transactions	200,749	-	15,666	9,798	226,213
<b>Total</b>	<b>360,615,969</b>	<b>157,693,551</b>	<b>66,582,583</b>	<b>194,085,240</b>	<b>778,977,343</b>
Less:					
Allowance for impairment losses					(14,371,645)
					<b>764,605,698</b>
<b>Commitments and contingencies with credit risk :</b>					
Unused credit facilities - committed	121,382,320	-	1,287,377	24,189,882	146,859,579
Irrevocable Letters of Credit issued	10,360,579	-	-	5,384	10,365,963
Bank guarantees issued to customers	13,204,698	-	920,186	1,116,298	15,241,182
	<b>144,947,597</b>	<b>-</b>	<b>2,207,563</b>	<b>25,311,564</b>	<b>172,466,724</b>

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**42. FINANCIAL RISK MANAGEMENT (continued)**

**c. Credit risk management (continued)**

**ii. Concentration of credit risk analysis (continued)**

Based on counter party (continued)

The following table presents concentration of credit risk of the Group by counterparty:  
(continued)

	2017				Total
	Corporates	Government and Bank Indonesia	Bank	Individual	
<b>Consolidated financial position:</b>					
Current accounts with Bank Indonesia	-	43,472,752	-	-	43,472,752
Current accounts with other banks	-	-	9,093,572	-	9,093,572
Placement with Bank Indonesia and other banks	-	9,411,567	9,558,115	-	18,969,682
Financial assets held for trading	33,929	5,837,217	144,156	-	6,015,302
Acceptance receivables	9,659,534	-	650,539	5,995	10,316,068
Bills receivable	617,923	-	6,001,254	-	6,619,177
Securities purchased under agreements to resell	-	4,184,872	4,821,016	255,738	9,261,626
Loans receivable	282,639,042	-	13,030,912	171,838,871	467,508,825
Consumer financing receivables	269,344	-	253	8,614,906	8,884,503
Investment in finance leases	168,716	-	-	14,654	183,370
Investment securities	16,864,471	106,832,843	7,914,150	-	131,611,464
Other assets - net					
Accrued income	1,212,059	1,526,050	177,565	636,673	3,552,347
Unaccepted notes receivable	77,534	-	-	-	77,534
Receivables from customer transactions	122,903	-	-	-	122,903
Receivables from insurance transactions	58,284	-	659	104,953	163,896
Total	311,723,739	171,265,301	51,392,191	181,471,790	715,853,021
Less:					
Allowance for impairment losses					(14,569,395)
					701,283,626
<b>Commitments and contingencies with credit risk :</b>					
Unused credit facilities - committed	112,251,039	-	2,685,604	24,560,220	139,496,863
Irrevocable Letters of Credit issued	7,745,316	-	-	8,564	7,753,880
Bank guarantees issued to customers	12,309,201	-	339,869	1,165,408	13,814,478
	132,305,556	-	3,025,473	25,734,192	161,065,221

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## 42. FINANCIAL RISK MANAGEMENT (continued)

## c. Credit risk management (continued)

## iii. Credit risk analysis

The following table presents individually impaired financial assets, financial assets that are not individually significant and collectively assessed for impairment, past due but not impaired financial assets and neither past due nor impaired financial assets.

	2018									
	Individually impaired	Past due but not impaired			Neither past due nor impaired Acceptance receivables, bills receivable and loans receivable			Other financial assets	Not individually significant and collectively assessed for impairment	Total
		1 - 30 days	31 - 60 days	61 - 90 days	High grade	Standard grade	Low grade			
<b>Loans and receivables :</b>										
Current accounts with Bank Indonesia	-	-	-	-	-	-	-	43,548,309	-	43,548,309
Current accounts with other banks	-	-	-	-	-	-	-	8,497,938	-	8,497,938
Placements with Bank Indonesia and other banks	-	-	-	-	-	-	-	29,640,544	-	29,640,544
Acceptance receivables - net	2,909	-	-	-	6,259,128	5,075,845	12,761	-	231,642	11,582,285
Bills receivable - net	-	-	-	-	4,823,706	1,024,353	-	-	2,752,650	8,600,709
Securities purchased under agreements to resell - net	-	-	-	-	-	-	-	9,212,684	-	9,212,684
Loans receivable - net	1,234,744	110,414	139,455	87,828	226,535,490	67,576,937	1,049,715	-	227,795,879	524,530,462
Consumer financing receivables - net	-	-	-	-	-	-	-	-	7,613,709	7,613,709
Investment in finance leases - net	-	-	-	-	-	-	-	-	174,212	174,212
Other assets - net	-	-	-	-	-	-	-	-	3,712,424	3,712,424
Accrued income	-	-	-	-	-	-	-	-	88,221	88,221
Unaccepted notes receivable	-	-	-	-	-	-	-	-	213,234	213,234
Receivables from customer transactions	-	-	-	-	-	-	-	-	226,213	226,213
Receivables from insurance transactions	-	-	-	-	-	-	-	-	-	-
	1,237,653	110,414	139,455	87,828	237,618,324	73,677,135	1,062,476	90,899,475	242,808,184	647,640,944
<b>Measured at fair value through profit or loss:</b>										
Financial assets held-for trading	-	-	-	-	-	-	-	5,841,824	-	5,841,824
	-	-	-	-	-	-	-	5,841,824	-	5,841,824
<b>Available-for-sale:</b>										
Placements with Bank Indonesia and other banks	-	-	-	-	-	-	-	2,042,267	-	2,042,267
Investment securities - net	-	-	-	-	-	-	-	95,252,803	-	95,252,803
	-	-	-	-	-	-	-	97,295,070	-	97,295,070
<b>Held-to-maturity:</b>										
Investment securities - net	-	-	-	-	-	-	-	13,827,860	-	13,827,860
	-	-	-	-	-	-	-	13,827,860	-	13,827,860
	1,237,653	110,414	139,455	87,828	237,618,324	73,677,135	1,062,476	207,864,229	242,808,184	764,605,698

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 42. FINANCIAL RISK MANAGEMENT (continued)

## c. Credit risk management (continued)

## iii. Credit risk analysis (continued)

The following table presents individually impaired financial assets, financial assets that are not individually significant and collectively assessed for impairment, past due but not impaired financial assets and neither past due nor impaired financial assets. (continued)

	2017									
	Individually impaired	Past due but not impaired			Neither past due nor impaired Acceptance receivables, bills receivable and loans receivable			Other financial assets	Not individually significant and collectively assessed for impairment	Total
		1 - 30 days	31 - 60 days	61 - 90 days	High grade	Standard grade	Low grade			
<b>Loans and receivables :</b>										
Current accounts with										
- Bank Indonesia	-	-	-	-	-	-	-	43,472,752	-	43,472,752
Current accounts with other banks	-	-	-	-	-	-	-	9,093,572	-	9,093,572
Placements with Bank Indonesia and other banks	-	-	-	-	-	-	-	14,933,161	-	14,933,161
Acceptance receivables - net	298	-	-	-	4,577,904	4,923,996	90,500	-	306,728	9,899,426
Bills receivable - net	-	-	-	-	2,177,506	751,327	435	-	3,685,087	6,614,355
Securities purchased under agreements to resell - net	-	-	-	-	-	-	-	9,258,767	-	9,258,767
Loans receivable - net	1,291,086	258,331	62,619	87,699	193,348,470	52,040,043	1,351,403	-	205,825,305	454,264,956
Consumer financing receivables - net	-	-	-	-	-	-	-	-	8,506,983	8,506,983
Investment in finance leases - net	-	-	-	-	-	-	-	-	181,427	181,427
Other assets - net	-	-	-	-	-	-	-	-	3,552,347	3,552,347
Accrued income	-	-	-	-	-	-	-	-	76,095	76,095
Unaccepted notes receivable	-	-	-	-	-	-	-	-	122,903	122,903
Receivables from customer transactions	-	-	-	-	-	-	-	-	163,896	163,896
Receivables from insurance transactions	-	-	-	-	-	-	-	-	-	-
	1,291,384	258,331	62,619	87,699	200,103,880	57,715,366	1,442,338	76,758,252	222,420,771	560,140,640
<b>Measured at fair value through profit or loss:</b>										
Financial assets held-for trading	-	-	-	-	-	-	-	6,015,302	-	6,015,302
	-	-	-	-	-	-	-	6,015,302	-	6,015,302
<b>Available-for-sale:</b>										
Placements with Bank Indonesia and other banks	-	-	-	-	-	-	-	4,036,521	-	4,036,521
Investment securities - net	76,507	-	-	-	-	-	-	107,229,267	-	107,305,774
	76,507	-	-	-	-	-	-	111,265,788	-	111,342,295
<b>Held-to-maturity:</b>										
Investment securities - net	-	-	-	-	-	-	-	23,785,389	-	23,785,389
	-	-	-	-	-	-	-	23,785,389	-	23,785,389
	1,367,891	258,331	62,619	87,699	200,103,880	57,715,366	1,442,338	217,824,731	222,420,771	701,283,626

## Individually impaired financial assets

Individually impaired financial assets are financial assets that are individually significant and there is objective evidence that impairment loss has incurred after initial recognition of the financial assets.

Based on the Bank's internal policy, loans that are determined to be individually significant are loans to corporate and commercial debtors.

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**42. FINANCIAL RISK MANAGEMENT (continued)****c. Credit risk management (continued)****iii. Credit risk analysis (continued)****Financial assets that are not individually significant and assessed for collective impairment**

Financial assets that are not individually significant consist of loans and receivables of the Group to retail debtors, i.e. Small & Medium Enterprise (“SME”) debtors, consumer financing receivables (including joint financing) debtors, mortgage and its housing renovation loans, vehicle loans and credit card receivables.

The Group determines that impairment losses of financial assets that are not individually significant are assessed collectively, by grouping those financial assets based on similar risk characteristics.

**Past due but not impaired financial assets**

Past due but not impaired financial assets are financial assets from corporate and commercial segment, for which contractual interest or principal payments are past due, but the Group believes that individual impairment has not occurred on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

**Neither past due nor impaired financial assets**

Included in neither past due nor impaired financial assets are financial assets which are not impaired individually and have been grouped based on similar risk characteristics for the purpose of assessing its collective impairment for the incurred but not yet reported losses (“IBNR”).

Based on its quality, neither past due nor impaired loans receivable, acceptance receivables, and bills receivable are classified into 3 categories, i.e. high grade, standard grade and low grade, in accordance with the Bank’s internal estimate of each debtor’s probability of default or certain portfolios that have been assessed against a range of qualitative and quantitative factors.

Loans receivable, acceptance receivables and bills receivable with risk rating of RR1 to RR7 are included in high grade category. Included in high grade category are loans to debtors which have strong capacity to repay all of its obligations in a timely manner, supported by strong fundamental factors and are not easily affected by unfavourable economic conditions.



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**42. FINANCIAL RISK MANAGEMENT (continued)****c. Credit risk management (continued)****iii. Credit risk analysis (continued)****Neither past due nor impaired financial assets (continued)**

Loans receivable, acceptance receivables and bills receivable with risk rating of RR8 to RR9 are included in standard grade category. Included in standard grade category are loans to debtors which considered to have sufficient capacity to repay its contractual interest and principal, but quite sensitive to unfavourable changes of economic conditions.

Loans receivable, acceptance receivables and bills receivable with risk rating RR10 and Loss are included in low grade category. Included in low grade category are loans to debtors with volatile repayment capacity, have poor fundamental factors and are easily affected by unfavourable economic conditions.

**iv. Collateral**

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types that can be accepted by the Bank. The Bank differentiates collateral types based on its liquidity and existence into solid collaterals and non-solid collaterals. Solid collaterals are collaterals which have relatively high liquidity value and/or the existence is permanent (is not easily moved) i.e., cash collaterals and land/building, and therefore, the collaterals can be repossessed or taken over by the Bank when the loan to debtor/group debtor becomes non-performing. Non-solid collaterals are collaterals which have relatively low liquidity value and/or the existence is temporary (easily moveable) i.e., vehicles, machineries, inventories, receivables, etc. As of 31 December 2018 and 2017, the Bank held collaterals against loans receivables in the form of cash, properties (land/building), motor vehicles, guarantees, machineries, inventories, debt securities, etc.

The Bank's policy in connection with collateral as mitigation of credit risk depends on the credit category or facilities provided. For SME loans, all loans should be supported with collateral (collateral basis) whereby at least 50% (fifty percent) of it are solid collaterals. For corporate and commercial loans, the collateral values are determined based on the individual debtor credit worthiness. The collateral value is determined based on the appraisal value at the time of loan approval and periodically reviewed.

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**42. FINANCIAL RISK MANAGEMENT** (continued)

**c. Credit risk management** (continued)

**iv. Collateral** (continued)

For mortgage facility (“KPR”), the Bank requires that all facilities should be supported by collateral properties (land/building). The Bank applies the Loan-to-Value (“LTV”) regulation gradually, starting from the first mortgage facility and so forth, in accordance with the rules imposed by the regulator. Value of the collateral for KPR is calculated based on the collateral value when credit is granted and renewed every 30 (thirty) months. For auto loan facility (“KKB”), the Bank requires that all facilities should be supported by collateral vehicles. The Bank applied the down payment rule, in accordance with the regulation imposed by the regulator.

Subsidiaries’ consumer financing receivables are secured by the related certificates of ownership (“BPKB”) of the vehicles being financed.

For foreign exchange transactions, either spot or forward, the Bank requires cash collaterals which is set at a certain percentage of facility provided. If the debtor has other credit facilities in the Bank, the debtor may use the collateral that has been given previously to be crossed with each other. The policy on percentage of the required collateral will be reviewed periodically, in line with the fluctuation and volatility of Rupiah currency to foreign currency exchange rate.

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collaterals held as security against financial assets as of 31 December 2018 and 2017, presented in other assets at the lower of carrying amount and net realisable value, were as follows:

	<b>2018</b>	<b>2017</b>
Land	70,324	19,388
Building	456,181	216,848
Other commercial properties	665	665
Financial assets and other assets	2,703	2,703
Fair value	<u>529,873</u>	<u>239,604</u>

The Bank generally does not use repossessed non-cash collateral for its own operations. The Bank’s policy is to realise collaterals which are repossessed as part of the settlement of credit.

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**42. FINANCIAL RISK MANAGEMENT (continued)**

**c. Credit risk management (continued)**

**v. Financial assets held for trading**

As of 31 December 2018 and 2017, the Group had financial assets held for trading at the fair value amounting to Rp 5,841,824 and Rp 6,015,302, respectively (see Note 8). Information on credit quality of the maximum exposure to credit risk of financial assets held for trading was as follows:

	<u>2018</u>	<u>2017</u>
Government securities:		
Investment grade	4,717,155	5,837,217
Corporate bonds:		
Investment grade	40,616	-
Derivative assets:		
Other banks as counterparties	906,915	95,775
Corporates as counterparties	133,041	28,600
Others	44,097	53,710
	<u>5,841,824</u>	<u>6,015,302</u>

**vi. Investment securities**

As of 31 December 2018 and 2017, the Group had investment securities at the carrying value amounting to Rp 109,080,663 and Rp 131,091,163, respectively (see Note 14). Information on credit quality of the maximum exposure to credit risk of investment securities was as follows:

	<u>2018</u>	<u>2017</u>
Government securities:		
Investment grade	79,211,468	106,832,842
Corporate bonds:		
Investment grade	15,066,115	13,109,456
Non-investment grade	-	27,311
Others	14,803,080	11,121,554
	<u>109,080,663</u>	<u>131,091,163</u>

**d. Liquidity risk management**

The Bank emphasises the importance of maintaining adequate liquidity to meet its commitments to its customers and other parties, whether in loans disbursement, repayment of customers' deposits or to meet operational liquidity requirements. The management of overall liquidity needs is overseen by ALCO, and operationally by the Treasury Division.

The Bank has implemented the relevant liquidity rules in accordance with regulatory requirement for the Bank to maintain Rupiah liquidity (Minimum Statutory Reserve/*Giro Wajib Minimum* or GWM) both on daily and on average for a particular reporting period, which consists of Primary Minimum Statutory Reserve and MIR (Macprudential Intermediation Ratio) in the form of Rupiah demand deposits at Bank Indonesia, MLB (Macprudential Liquidity Buffer) in the form of SBI, SDBI and SBN, as well as foreign currency Minimum Statutory Reserve in the form of foreign currency demand deposits in Bank Indonesia.

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## 42. FINANCIAL RISK MANAGEMENT (continued)

## d. Liquidity risk management (continued)

The Bank monitors its liquidity by maintaining sufficient liquid assets to repay the customers' deposits, and ensuring that total assets mature in each period is sufficient to cover total matured liabilities.

The Bank's liquid assets mainly consist of placements with Bank Indonesia and other banks, including current accounts with Bank Indonesia and other banks, and cash. If the Bank needs liquidity, the Bank can immediately drawdown excess reserve funds over its Minimum Statutory Reserve in the current accounts with Bank Indonesia (GWM), sell the Certificates of Bank Indonesia ("SBI")/State Debentures ("SUN")/other government securities or sell SBI/SUN/other government securities under repurchase agreements, early redemption of BI term deposits or seek for borrowings from interbank money market in Indonesia. The Bank's primary reserve consists of the Minimum Statutory Reserve and cash held at branches.

In order to reduce risk of dependency to single funding, the Subsidiaries have diversified its funding resources. Besides capital and collection from customers, the Subsidiaries generate funding resources from bank loans and capital market, through bonds and medium-term notes issuance.

The following table presents the contractual undiscounted cash flows of financial liabilities and administrative accounts of the Group based on remaining period to contractual maturity as of 31 December 2018 and 2017:

	2018						
	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 - 3 months	> 3 months - 1 year	> 1 - 5 years	> 5 years
<b>Non-derivative financial liabilities</b>							
Deposits from customers	(629,812,017)	(630,209,040)	(585,523,692)	(30,646,614)	(14,038,734)	-	-
Deposits from other banks	(6,494,491)	(6,494,562)	(6,456,962)	(37,500)	(100)	-	-
Acceptance payables	(5,843,486)	(5,843,486)	(1,969,737)	(2,653,028)	(1,108,574)	(112,147)	-
Securities sold under agreements to repurchase	(48,111)	(49,386)	(49,386)	-	-	-	-
Debt securities issued	(239,735)	(250,188)	-	(5,094)	(245,094)	-	-
Borrowings	(2,093,475)	(2,097,061)	(251,494)	(122,500)	(1,491,922)	(231,145)	-
Other liabilities	(476,097)	(476,097)	(464,366)	(9,078)	(2,653)	-	-
Subordinated bonds	(500,000)	(508,972)	(8,972)	-	-	-	(500,000)
	(645,507,412)	(645,928,792)	(594,724,609)	(33,473,814)	(16,887,077)	(343,292)	(500,000)
<b>Derivative financial liabilities</b>							
Financial liabilities held for trading :	(188,934)						
Outflow		(6,880,448)	(4,577,272)	(1,185,592)	(1,117,584)	-	-
Inflow		6,756,169	4,505,857	1,165,473	1,084,839	-	-
Other liabilities	(25,518)	(25,518)	(25,518)	-	-	-	-
	(214,452)	(149,797)	(96,933)	(20,119)	(32,745)	-	-
<b>Administrative accounts</b>							
Unused credit facilities to customers - committed		(145,599,557)	(145,599,557)	-	-	-	-
Unused credit facilities to other banks - committed		(1,260,022)	(1,260,022)	-	-	-	-
Irrevocable Letters of Credit issued		(10,365,963)	(3,934,116)	(4,442,304)	(1,484,835)	(504,708)	-
Bank guarantees issued to customers		(15,241,182)	(1,565,166)	(3,253,063)	(8,220,583)	(2,202,295)	(75)
		(172,466,724)	(152,358,861)	(7,695,367)	(9,705,418)	(2,707,003)	(75)
	(645,721,864)	(818,545,313)	(747,180,403)	(41,189,300)	(26,625,240)	(3,050,295)	(500,075)

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**42. FINANCIAL RISK MANAGEMENT (continued)****d. Liquidity risk management (continued)**

The following table presents the contractual undiscounted cash flows of financial liabilities and administrative accounts of the Group based on remaining period to contractual maturity as of 31 December 2018 and 2017: (continued)

	2017					
	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 - 3 months	> 3 months - 1 year	> 1 - 5 years
<b>Non-derivative financial liabilities</b>						
Deposits from customers	(581,115,442)	(581,398,945)	(546,395,727)	(28,572,508)	(6,430,710)	-
Deposits from other banks	(5,758,414)	(5,758,476)	(5,721,876)	(36,500)	(100)	-
Acceptance payables	(5,800,477)	(5,800,477)	(2,108,238)	(2,435,249)	(1,074,989)	(182,001)
Securities sold under agreements to repurchase	(96,225)	(96,370)	(96,370)	-	-	-
Debt securities issued	(610,499)	(652,058)	-	(436,589)	(15,281)	(200,188)
Borrowings	(3,040,602)	(3,045,169)	(5,536)	(417,075)	(2,219,180)	(403,378)
Other liabilities	(408,796)	(408,796)	(356,265)	(5,784)	(46,747)	-
	(596,830,455)	(597,160,291)	(554,684,012)	(31,903,705)	(9,787,007)	(785,567)
<b>Derivative financial liabilities</b>						
Financial liabilities held for trading :	(53,843)					
Outflow		(19,426,156)	(8,133,244)	(7,209,706)	(4,083,206)	-
Inflow		19,460,553	8,120,754	7,212,039	4,127,760	-
	(53,843)	34,397	(12,490)	2,333	44,554	-
<b>Administrative accounts</b>						
Unused credit facilities to customers - committed		(136,811,259)	(136,811,259)	-	-	-
Unused credit facilities to other banks - committed		(2,685,604)	(2,685,604)	-	-	-
Irrevocable Letters of Credit issued		(7,753,880)	(3,079,498)	(3,759,110)	(765,897)	(149,375)
Bank guarantees issued to customers		(13,814,478)	(1,860,603)	(2,675,290)	(7,686,535)	(1,592,050)
		(161,065,221)	(144,436,964)	(6,434,400)	(8,452,432)	(1,741,425)
	(596,884,298)	(758,191,115)	(699,133,466)	(38,335,772)	(18,194,885)	(2,526,992)

The above tables were prepared based on remaining contractual maturities of the financial liabilities and irrevocable Letters of Credit facility, while for issued guarantee contracts and unused committed credit facility were based on the their earliest possible contractual maturity. The Bank's and Subsidiaries' expected cash flows from these instruments vary significantly from the above analysis. For example, current accounts and saving accounts are expected to have a stable or increasing balance, or unused committed credit facility to customers/other banks are not all expected to be drawn down immediately.

The nominal inflow and outflow disclosed in the above table represents the contractual undiscounted cash flows relating to the principal and interest on the financial liabilities or commitments. The disclosure for derivatives show a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (e.g., foreign currency forward).

Analysis on the carrying value of financial assets and liabilities based on remaining contractual maturities as of 31 December 2018 and 2017 is disclosed in Note 43.

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**42. FINANCIAL RISK MANAGEMENT** (continued)**e. Market risk management****i. Foreign exchange risk**

The Bank conducts foreign currency trading in accordance with its internal policies and regulations from Bank Indonesia regarding Net Open Position ("NOP"). In managing its foreign exchange risk, the Bank centralises the management of its NOP at the Treasury Division, which consolidates daily NOP reports from all branches. In general, each branch is required to square its foreign exchange risk at the end of each business day, although there is a NOP tolerance limit set for each branch depending on the volume of its foreign exchange activity. The Bank prepares its daily NOP report which combines the NOP from consolidated statements of financial position and administrative accounts. Bank has considered Domestic Non delivery Forward (DNDF) transaction as part of NOP report.

The Bank's revenue from foreign currency trading is mainly obtained from customer-related transactions and sometimes the Bank has NOP in certain amount to fulfill the customer's needs, in accordance with the Bank's internal guidelines. Trading for profit-taking purposes (proprietary trading) can only be performed for limited foreign currencies with small limits.

The Bank's foreign currency liabilities mainly consist of deposits and borrowings denominated in US Dollar. To comply with the NOP regulations, the Bank maintains its assets which consist of placements with other banks and loans receivable in USD.

To measure foreign exchange risk on trading book, the Bank uses Value at Risk ("VaR") method with Historical Simulation approach for the purpose of internal reporting, meanwhile for the purpose of Bank's Capital Adequacy Ratio ("CAR") report, the Bank used OJK standard method.

Bank's sensitivity towards foreign currency is taken into account by using Net Open Position information translated to major foreign currency of the Bank, which is USD. The table below summarises the Bank's profit before tax sensitivity on changes of foreign exchange rate as of 31 December 2018 and 2017:

	<b>Impact on profit before tax</b>	
	<b>+5%</b>	<b>-5%</b>
31 December 2018	(6,093)	6,093
31 December 2017	(31,383)	31,383

Information about Bank's NOP as of 31 December 2018 and 2017 was disclosed in Note 44.

The Subsidiary had borrowings in foreign currencies as of 31 December 2018 and 2017. The Subsidiary entered into derivative contracts to manage its foreign exchange risk.

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**42. FINANCIAL RISK MANAGEMENT (continued)****e. Market risk management (continued)****ii. Interest rate risk**

The major component of the Bank's interest-rate-sensitive liabilities is customer deposits, while its interest-rate-sensitive assets are government bonds, investment securities and loans receivable. ALCO regularly monitors any development in the market and adjusts the interest rates of deposits and loans receivable accordingly.

The Bank uses earning approach and economic value approach to measure interest rate risk in the banking book. The earning approach uses accrual method to measure the sensitivity of Bank's Net Interest Income to changes in market interest rates. The economic value approach uses Duration method to measure the sensitivity of economic value of productive assets and interest bearing liabilities to changes in market interest rates. In the Duration method, the interest rate risk is defined as a decrease in fair value of all productive asset portfolio and interest bearing liabilities in the banking book due to movement in market interest rates.

The Banking book is all financial asset/other position that are not included in trading book.

The risk measurement is performed on Rupiah and USD which are then reported to ALCO. To measure interest rate risk on the trading book, the Bank uses VaR method with Historical Simulation approach for internal reporting purposes, while for the Minimum Capital Adequacy Ratio purpose, the Bank uses OJK's standard approach.

The Bank determines the interest rates on deposits from customers based on market condition and competitiveness by monitoring the fluctuations of the base rates and interest rates offered by other banks for similar products. The interest rates on deposit may vary and depend on maturity and size of the deposit. The interest rates for saving and current account are floating in nature and will be reviewed periodically based on market condition, while the interest rate for time deposit is fixed and depends on the maturity period. The interest rate for credit is determined by adding a certain margin on the Bank's cost of funds (including the cost of GWM).

Cash flow interest rate risk is the risk that future cash flow from financial instruments fluctuates due to the movement in market interest rates. Fair value interest rate risk is the risk that the fair value of financial instruments fluctuates due to the movement in market interest rates. The Bank has exposure to the volatility in market interest rates both to the fair value risk and cash flows risk. To mitigate this risk, the Board of Directors have set VaR limits for trading book, which are monitored by the Risk Management Unit on a daily basis.

The Subsidiary is exposed to interest rate risk arising from consumer financing receivables, factoring receivables, other receivables, the issuance of fixed rate bonds payable and medium-term notes payable. The Subsidiary manages the interest rate risk by diversifying its financing sources to find the most suitable fixed interest rate to minimise mismatch.





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**42. FINANCIAL RISK MANAGEMENT** (continued)

**e. Market risk management** (continued)

**ii. Interest rate risk** (continued)

**Sensitivity analysis**

Based on the re-pricing gap report, the Bank analyzes the sensitivity to 1% (one percent) parallel interest rate movement (increase or decrease), with the following assumptions:

- the movement in interest rate for asset components is the same with the movement in interest rate for liability components; and
- the movement is the same for every maturity period in the yield curve (parallel yield curve movement).

This sensitivity analysis is performed on a monthly basis for ALCO purposes. The following table describes the sensitivity of a reasonably possible change in market interest rate, with all other variables held constant, to the net interest income:

	<u>2018</u>	<u>2017</u>
Decrease in interest income due to 1% (one percent) parallel increase in interest rate	(251,285)	(1,262,074)
Increase in interest income due to 1% (one percent) parallel decrease in interest rate	251,285	1,262,074

Information:

- The sensitivity analysis as of 31 December 2018 have considered the Core Deposit.

**f. Operational risk management**

Implementation of operational risk management (MRO) are outlined in Financial Services Authority Regulation ("POJK") No. 18/POJK.03/2016 dated 16 March 2016.

The Bank has Basic Policy of Operational Risk Management ("KMRO") as the basic guideline for managing operational risk in all working units.

The Bank has qualified infrastructure to support implementation of operational risk management, named Operational Risk Management Information System (ORMIS), which consists of three modules. The modules are Risk and Control Self Assesstment (RCSA), Loss Event Database (LED), and Key Risk Indicator (KRI). This web-based application can be used by all working units to help them in managing operational risk. In order to make implementation of operational risk management is more effective and efficient, the bank continuously enhance the ORMIS in accordance with the latest bank operational activities.

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**42. FINANCIAL RISK MANAGEMENT** (continued)**f. Operational risk management** (continued)**Risk and Control Self Assessment (“RCSA”)**

RCSA aims to improve the awareness culture in managing operational risk to improve risk control of each employee in conducting their daily activities so it can minimize operational risk loss.

RCSA is conducted regularly in all working units (branches and head office) that are significantly exposed to operational risk.

The Bank regularly reviews and revalidates operational risk that may occur in working unit and also assess impact and likelihood grading that is used for RCSA so that the assessment of operational risk can provide more precise overview of activities and risk profiles of each working unit and bankwide.

**Loss Event Database (“LED”)**

LED is used to gather operational risk loss data from all working units. The data are used by Bank to calculate Capital Requirement using Standardized Measurement Approach (SMA) method for operational risk. On the other hand, LED data is used to analyze and monitor operational risk events to take action immediately and minimize loss.

The Bank always conducts an independent review of operational risk loss data comprehensively to maintain the validity of data which are provided by working units.

**Key Risk Indicator (“KRI”)**

KRI can provide an early warning sign of increasing operational risk in a working unit. Whenever there is an increase in risk, the system will send a notification to Risk Manager, so they can immediately take necessary actions to minimize operational risk that may occur.

The Bank regularly reviews and revalidates KRI parameters and thresholds to ensure KRI effectiveness in providing early warning signs of increased operational risk in working units.

The Bank presents implementation of operational risk management to working units and conducts Risk Awareness Program to embed and enhance the awareness culture in managing operational risk in working units.

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**42. FINANCIAL RISK MANAGEMENT (continued)****g. Consolidated risk management**

In accordance with Financial Services Authority Regulation (“POJK”) No. 38/POJK.03/2017 dated 12 July 2017 regarding the Implementation of Consolidated Risk Management for Banks with Control over Subsidiaries, the Bank is required to implement consolidated risk management.

Implementation of consolidated risk management in the Bank is performed based on the above-mentioned Financial Services Authority regulation, including:

- Active supervision of Board of Commissioners and Board of Directors;
- Adequate policies and procedures and setting limits;
- Adequacy of the process of identification, measurement, monitoring and risk control, as well as risk management information system; and
- A comprehensive internal control system.

By referring to the concept for implementation of consolidated risk management, the implementation of risk management framework in Subsidiaries has been indirectly monitored and examined by the Bank’s management.

In accordance with Financial Services Authority Regulation (“POJK”) No. 17/POJK.03/2014 dated 18 November 2014 regarding the Implementation of Integrated Risk Management for Financial Conglomeration, a financial conglomeration should implement a comprehensive and effective integrated risk management, in this case the Bank as the main entity is obliged to integrate the implementation of risk management within the financial conglomeration.

Referring to the implementation of integrated risk management concept, implementation of tasks and responsibilities of Integrated Risk Management Working Unit is one of the functions of the existing Risk Management Working Unit. In performing their duties, Integrated Risk Management Working Unit coordinates with working units that conduct Risk Management function on the respective Financial Service Institution (“LJK”) in financial conglomeration.

In addition to implement risk management in accordance with the regulations of their respective regulators, Subsidiaries have also implemented risk management in line with the implementation of risk management in the Main Entity. The purpose of implementing risk management in Subsidiaries is to provide added value and increase the competitiveness of companies, considering this is one of the fulfillments of the Bank’s compliance with regulations and international standard practices.

In order to implement of integrated risk management effectively, the Bank also has an Accounting Information System and Risk Management System that can identify, measure and monitor the business risks of the Bank and Subsidiaries.

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## 42. FINANCIAL RISK MANAGEMENT (continued)

## g. Consolidated risk management (continued)

The Bank as the Main Entity has:

1. formed Integrated Risk Management Committee (“KMRT”) with the aim of ensuring that the risk management framework has provided adequate protection to all Bank’s and Subsidiaries’ risks in integrated manner; and
2. compiled Basic Policy of Integrated Risk Management (“KDMRT”).
3. compiled several policies related to the implementation of Integrated Risk Management, including policies governing integrated capital, intra-group transactions, Integrated Risk Profile Reports, and others.
4. submitted to OJK:
  - a. Reports regarding the Main Entity and LJK included as members of the financial conglomeration to the OJK.
  - b. Integrated Risk Profile Report.
  - c. Integrated Capital Sufficiency Report.
  - d. Report on Changes in Members of the Financial Conglomerate.

Beside that the Group as conglomeration has performed integrated Stress Test to ensure that capital and liquidity on conglomeration level are still adequate during worst conditions (stress).

## 43. MATURITY GAP OF FINANCIAL ASSETS AND LIABILITIES

The following table summarises the maturity gap profile of the Group financial assets and liabilities based on the remaining period until the contractual maturity date as of 31 December 2018 and 2017:

	2018						Total
	Up to 1 month	> 1 - 3 months	> 3 months - 1 years	> 1 - 5 years	More than 5 years	No contractual maturity	
<b>Financial assets</b>							
Cash	-	-	-	-	-	21,691,443	21,691,443
Current accounts with Bank Indonesia	-	-	-	-	-	43,548,309	43,548,309
Current accounts with other banks	8,497,938	-	-	-	-	-	8,497,938
Placement with Bank Indonesia and other banks	28,412,993	1,197,660	2,011,629	60,529	-	-	31,682,811
Financial assets held for trading	2,225,222	1,220,207	2,195,922	115,895	84,578	-	5,841,824
Acceptance receivables - net	3,088,222	4,329,898	4,053,162	111,003	-	-	11,582,285
Bills receivable - net	2,269,070	3,639,615	2,692,024	-	-	-	8,600,709
Securities purchased under agreements to resell - net	5,195,638	3,986,380	30,666	-	-	-	9,212,684
Loans receivable	36,042,785	41,393,814	158,902,156	175,803,366	126,714,191	-	538,856,312
Less:							
Allowance for impairment losses and deferred provision and commission income	-	-	-	-	-	-	(14,325,850)
Consumer financing receivable - net	131,998	133,085	917,521	6,242,104	189,001	-	7,613,709
Investment in finance leases - net	11,225	2,163	19,138	141,686	-	-	174,212
Investment securities - net	27,891,286	5,849,836	20,978,132	52,774,584	980,545	606,280	109,080,663
Other assets - net	196,583	423,526	803,364	1,963,074	686,557	166,988	4,240,092
	113,962,960	62,176,184	192,603,714	237,212,241	128,654,872	66,013,020	786,297,141
<b>Financial liabilities</b>							
Deposits from customers	(585,126,669)	(30,646,614)	(14,038,734)	-	-	-	(629,812,017)
Deposits from other banks	(6,456,891)	(37,500)	(100)	-	-	-	(6,494,491)
Financial liabilities held for trading	(79,223)	(26,167)	(51,379)	(32,165)	-	-	(188,934)
Securities sold under agreement to repurchase	(48,111)	-	-	-	-	-	(48,111)
Acceptance payables	(1,969,737)	(2,653,028)	(1,108,574)	(112,147)	-	-	(5,843,486)
Debt securities issued	-	-	(239,735)	-	-	-	(239,735)
Borrowings	(247,908)	(122,500)	(1,491,922)	(231,145)	-	-	(2,093,475)
Other liabilities	(489,884)	(9,078)	(2,653)	-	-	-	(501,615)
Subordinated bonds	-	-	-	-	(500,000)	-	(500,000)
	(594,418,423)	(33,494,887)	(16,933,097)	(375,457)	(500,000)	-	(645,721,864)
Net position	(480,455,463)	28,681,297	175,670,617	236,836,784	128,154,872	66,013,020	140,575,277

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**43. MATURITY GAP OF FINANCIAL ASSETS AND LIABILITIES (continued)**

The following table summarises the maturity gap profile of the Group financial assets and liabilities based on the remaining period until the contractual maturity date as of 31 December 2018 and 2017: (continued)

	2017						Total
	Up to 1 month	> 1 - 3 months	> 3 months - 1 years	> 1 - 5 years	More than 5 years	No contractual maturity	
<b>Financial assets</b>							
Cash	-	-	-	-	-	16,754,289	16,754,289
Current accounts with Bank Indonesia	8,202,996	-	-	-	-	35,269,756	43,472,752
Current accounts with other banks	9,093,572	-	-	-	-	-	9,093,572
Placement with Bank Indonesia and other banks	8,638,794	6,280,911	3,005,461	1,044,516	-	-	18,969,682
Financial assets held for trading	814,893	1,929,041	3,068,272	68,517	134,579	-	6,015,302
Acceptance receivables - net	2,804,232	3,576,473	3,338,409	180,312	-	-	9,899,426
Bills receivable - net	1,701,992	2,879,088	2,033,275	-	-	-	6,614,355
Securities purchased under agreements to resell - net	7,145,567	1,485,798	627,402	-	-	-	9,258,767
Loans receivable	26,963,560	42,729,891	133,435,902	154,088,078	110,977,474	-	468,194,905
Less:							
Allowance for impairment losses and deferred provision and commission income	-	-	-	-	-	-	(13,929,949)
Consumer financing receivable - net	175,278	161,396	1,116,395	6,909,776	144,138	-	8,506,983
Investment in finance leases - net	3,213	742	16,994	156,466	4,012	-	181,427
Investment securities - net	24,172,754	10,604,117	38,700,926	54,581,260	2,774,101	258,005	131,091,163
Other assets - net	608,212	418,420	510,719	1,684,951	565,528	127,411	3,915,241
	90,325,063	70,065,877	185,853,755	218,713,876	114,599,832	52,409,461	718,037,915
<b>Financial liabilities</b>							
Deposits from customers	(546,112,224)	(28,572,508)	(6,430,710)	-	-	-	(581,115,442)
Deposits from other banks	(5,721,814)	(36,500)	(100)	-	-	-	(5,758,414)
Financial liabilities held for trading	(14,277)	(24,791)	(14,775)	-	-	-	(53,843)
Acceptance payables	(2,108,238)	(2,435,249)	(1,074,989)	(182,001)	-	-	(5,800,477)
Securities sold under agreement to repurchase	(96,225)	-	-	-	-	-	(96,225)
Debt securities issued	-	(421,541)	-	(188,958)	-	-	(610,499)
Borrowings	(969)	(417,075)	(2,219,180)	(403,378)	-	-	(3,040,602)
Other liabilities - net	(356,265)	(5,784)	(46,747)	-	-	-	(408,796)
	(554,410,012)	(31,913,448)	(9,786,501)	(774,337)	-	-	(596,884,298)
Net position	(464,084,949)	38,152,429	176,067,254	217,939,539	114,599,832	52,409,461	121,153,617

**44. NET OPEN POSITION**

The Bank's net foreign exchange positions (Net Open Position or "NOP") as of 31 December 2018 and 2017 were calculated based on prevailing Bank Indonesia Regulations. Based on those regulations, banks are required to maintain the NOP (including all domestic and overseas branches) at the maximum of 20% (twenty percent) of capital.

The aggregate NOP represents the sum of the absolute values of (i) the net difference between assets and liabilities denominated in each foreign currency and (ii) the net difference of receivables and liabilities of both commitments and contingencies recorded in the administrative account (administrative account transactions) denominated in each foreign currency, which are all stated in Rupiah. The NOP for statement of financial position represents the sum of the net differences of assets and liabilities on the statement of financial position for each foreign currency, which are all stated in Rupiah.

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**44. NET OPEN POSITION (continued)**

The Bank's NOP as of 31 December 2018 and 2017 was as follows:

	<b>2018</b>		
	<b>NOP for statement of financial position (net difference between assets and liabilities)</b>	<b>Net difference between receivables and liabilities in administrative accounts</b>	<b>Overall NOP (absolute amount)</b>
USD	32,135,226	(32,779,195)	643,969
SGD	(139,255)	9,517	129,738
AUD	(8,321)	9,020	699
HKD	20,538	(20,103)	435
GBP	26,701	(27,467)	766
EUR	(164,261)	161,118	3,143
JPY	118,207	(118,291)	84
CAD	28,184	(27,259)	925
CHF	24,515	(23,840)	675
DKK	(914)	2,165	1,251
MYR	16,113	-	16,113
SAR	7,815	(7,190)	625
SEK	1,329	(729)	600
CNY	(112,721)	112,834	113
NZD	19,679	(19,318)	361
Others	3,182	-	3,182
Total			802,679
Total capital (Note 45)			148,193,541
Percentage of NOP to capital			0.54%

	<b>2017</b>		
	<b>NOP for statement of financial position (net difference between assets and liabilities)</b>	<b>Net difference between receivables and liabilities in administrative accounts</b>	<b>Overall NOP (absolute amount)</b>
USD	24,833,944	(25,342,395)	508,451
SGD	(173,606)	42,425	131,181
AUD	6,563	(5,297)	1,266
HKD	54,246	(53,565)	681
GBP	15,589	(12,828)	2,761
EUR	170,427	(170,760)	333
JPY	87,208	(86,174)	1,034
CAD	27,229	(27,228)	1
CHF	24,743	(23,256)	1,487
DKK	1,451	-	1,451
MYR	(338)	-	338
SAR	6,988	(6,785)	203
SEK	1,402	(1,009)	393
CNY	(51,448)	52,325	877
Others	21,800	(19,301)	2,499
Total			652,956
Total capital (Note 45)			127,964,059
Percentage of NOP to capital			0.51%

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**45. CAPITAL MANAGEMENT**

The primary objective of the Bank's capital management policy is to ensure that the Bank has a strong capital to support the Bank's current business expansion strategy and to sustain future development of the business, to meet regulatory capital adequacy requirements and also to ensure the efficiency of the Bank's capital structure.

The Bank prepares the Capital Plan based on assessment of and review over the capital situation in terms of the legal capital adequacy requirement, combined with current economic outlook assesment and the result of stress testing method. The Bank will continue to link financial goals and capital adequacy to risk appetite through the capital planning process and stress testing and assess the businesses based on Bank's capital and liquidity requirements.

The Bank's capital needs are also planned and discussed on a routine basis, supported by data analysis.

The Capital Plan is prepared by the Board of Directors as part of the Bank's Business Plan and approved by the Board of Commissioners. This plan is expected to ensure an adequate level of capital optimum capital structure.

BI Regulation No. 8/6/PBI/2006 dated 30 January 2006 and BI Circular Letter No. 8/27/DPNP dated 27 November 2006 requires all banks to meet CAR requirements for the bank on an individual and consolidated basis. The calculation of minimum CAR on consolidated basis is performed by calculating capital and Risk-Weighted Assets ("RWA") based on risks from consolidated financial statements as provided in the prevailing Bank Indonesia Regulations.

BI Circular Letter No. 11/3/DPNP dated 27 January 2009 requires all banks in Indonesia with certain qualification to take into account operational risk in the CAR calculation.

The Bank is required to provide minimum capital in accordance with risk profile as of 31 December 2018 and 2017 based on Financial Services Authority Regulation No. 11/POJK.03/2016 dated 2 February 2016.

The Bank calculates its capital requirements based on the prevailing OJK Regulations, where the regulatory capital consisted of two tiers:

- Core Capital (Tier 1), which includes:
  1. Common Equity (CET 1), which includes issued and fully paid-up capital (after deduction of treasury stock), additional paid-up capital, allowable non-controlling interest and deductions from Common Equity.
  2. Additional Core Capital
- Supplementary Capital (Tier 2), which includes capital instrument in form of shares or other allowable instruments, agio or disagio from supplementary capital issuance, required general allowance for productive assets (maximum of 1.25% RWA credit risk), specific reserve and deductions from tier 2 capital.

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## 45. CA PITAL MANAGEMENT (continued)

The CAR as of 31 December 2018 and 2017, calculated in accordance with the prevailing regulations, taking into account the credit risk, market risk and operational risk, were as follows:

	2018		2017	
	Bank	Consolidated	Bank	Consolidated
I. Core Capital (Tier 1)	141,687,397	149,412,372	122,730,121	129,239,881
II. Supplementary Capital (Tier 2)	6,506,144	6,639,146	5,233,938	5,367,880
<b>Total Capital</b>	<b>148,193,541</b>	<b>156,051,518</b>	<b>127,964,059</b>	<b>134,607,761</b>
<b>Risk-Weighted Assets based on risk</b>				
RWAs Considering Credit Risk				
RWAs Considering Market Risk	538,872,893	551,236,800	468,654,528	480,186,924
RWAs Considering Operational Risk	3,429,199	3,088,738	3,063,943	2,728,225
	91,331,739	97,206,002	83,104,965	87,544,008
<b>Total Risk-Weighted Assets</b>	<b>633,633,831</b>	<b>651,531,540</b>	<b>554,823,436</b>	<b>570,459,157</b>
<b>Min. Capital Requirement</b>	9.99%	9.99%	9.99%	9.99%
<b>CAR ratio</b>				
CET 1 ratio	22.36%	22.93%	22.12%	22.66%
Tier 1 ratio	22.36%	22.93%	22.12%	22.66%
Tier 2 ratio	1.03%	1.02%	0.94%	0.94%
<b>CAR ratio</b>	<b>23.39%</b>	<b>23.95%</b>	<b>23.06%</b>	<b>23.60%</b>
<b>CET 1 for Buffer</b>	<b>13.40%</b>	<b>13.96%</b>	<b>13.07%</b>	<b>13.61%</b>
<b>Regulatory Minimum Capital Requirement</b>				
From CET 1	8.96%	8.97%	9.05%	9.05%
From WA 1	0.00%	0.00%	0.00%	0.00%
From Tier 2	1.03%	1.02%	0.94%	0.94%
<b>Regulatory Buffer percentage required by Bank</b>				
Capital Conservation Buffer	1.875%	1.875%	1.250%	1.250%
Countercyclical Buffer	0.000%	0.000%	0.000%	0.000%
Capital Surcharge for Systemic Bank	1.500%	1.500%	1.000%	1.000%

## 46. NON-CONTROLLING INTEREST

The movement of non-controlling interest in net assets of Subsidiaries was as follows:

	2018	2017
Balance, beginning of year	98,139	281,982
Increase in non-controlling interest from additional capital injection to Subsidiaries during the year (Note 1d)	-	30,000
Changes in non-controlling interest due to acquisition of Subsidiaries during the year	-	(225,978)
Non-controlling interest portion of Subsidiaries net profit during the year	(3,494)	11,156
Increase (decrease) of non-controlling interest from other comprehensive income of Subsidiaries during the year	(902)	979
<b>Balance, end of year</b>	<b>93,743</b>	<b>98,139</b>



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**47. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

<u>Related parties</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>
PT Dwimuria Investama Andalan	Shareholder	Deposits from customers
Dana Pensiun BCA	Employer pension fund	Loans receivable, pension fund contribution, deposits from customers
PT Adiwisesa Mandiri Building Product Indonesia	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Agra Bareksa Energi	Owned by the same ultimate shareholder	Deposits from customers
PT Agra Bareksa Indonesia	Owned by the same ultimate shareholder	Deposits from customers
PT Agra Primera Plantation	Owned by the same ultimate shareholder	Deposits from customers
PT Alpha Merah Kreasi	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Andil Bangunsekawan	Owned by the same ultimate shareholder	Deposits from customers
PT Angkasa Komunikasi Global Utama	Owned by the same ultimate shareholder	Deposits from customers
PT Ansvia	Owned by the same ultimate shareholder	Deposits from customers
PT Arta Karya Adhiguna	Owned by the same ultimate shareholder	Deposits from customers
PT Bhumi Mahardika Jaya	Owned by the same ultimate shareholder	Deposits from customers
PT Bukit Muria Jaya Estate	Owned by the same ultimate shareholder	Deposits from customers
PT Bukit Muria Jaya	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Bukit Muria Jaya Karton	Owned by the same ultimate shareholder	Loans receivable
PT Caturguwiratna Sumapala	Owned by the same ultimate shareholder	Deposits from customers
PT Cipta Karya Bumi Indah	Owned by the same ultimate shareholder	Deposits from customers
PT Ciptakreasi Buana Persada	Owned by the same ultimate shareholder	Deposits from customers
PT Dart Media Indonesia	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Daya Cipta Makmur	Owned by the same ultimate shareholder	Deposits from customers
PT Daya Maju Lestari	Owned by the same ultimate shareholder	Deposits from customers
PT Digital Otomotif Indonesia	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Digital Startup Nusantara	Owned by the same ultimate shareholder	Deposits from customers
PT Djarum	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Dynamo Media Network	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Ecogreen Oleochemicals	Owned by the same ultimate shareholder	Loans receivable, deposits from customers, guarantees issued, letter of credit

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## 47. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Related parties	Nature of relationship	Nature of transaction
PT Energi Batu Hitam	Owned by the same ultimate shareholder	Deposits from customers, guarantees issued
PT Fajar Surya Perkasa	Owned by the same ultimate shareholder	Deposits from customers
PT Fajar Surya Swadaya	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Farindo Investama Indonesia	Owned by the same ultimate shareholder	Deposits from customers
PT Fira Makmur Sejahtera	Owned by the same ultimate shareholder	Deposits from customers
PT General Buditekindo	Owned by the same ultimate shareholder	Loans receivable, deposits from customers, guarantees issued
PT Global Dairi Alami	Owned by the same ultimate shareholder	Deposits from customers
PT Global Digital Niaga	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Global Distribusi Nusantara	Owned by the same ultimate shareholder	Deposits from customers
PT Global Kassa Sejahtera	Owned by the same ultimate shareholder	Deposits from customers
PT Global Distribusi Pusaka	Owned by the same ultimate shareholder	Deposits from customers
PT Global Tiket Network	Owned by the same ultimate shareholder	Loans receivable, deposits from customers, guarantees issued
PT Global Visi Media	Owned by the same ultimate shareholder	Deposits from customers
PT Global Net Aplikasi Indotravel	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Globalnet Sejahtera	Owned by the same ultimate shareholder	Deposits from customers
PT Graha Padma Internusa	Owned by the same ultimate shareholder	Deposits from customers
PT Grand Indonesia	Owned by the same ultimate shareholder	Loans receivable, deposits from customers, guarantees issued, office rental transaction
PT Hartono Istana Teknologi	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Iforte Global Internet	Owned by the same ultimate shareholder	Deposits from customers
PT Iforte Solusi Infotek	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Indo Paramita Sarana	Owned by the same ultimate shareholder	Deposits from customers
PT Intershop Prima Centre	Owned by the same ultimate shareholder	Deposits from customers
PT Kalimusada Motor	Owned by the same ultimate shareholder	Deposits from customers
PT Komet Infra Nusantara	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Kudus Istana Furniture	Owned by the same ultimate shareholder	Deposits from customers

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**47. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

<u>Related parties</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>
PT Kumparan Kencana Electrindo	Owned by the same ultimate shareholder	Deposits from customers
PT Lingkarmulia Indah	Owned by the same ultimate shareholder	Deposits from customers
PT Lintas Cipta Media	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Marga Sadhya Swasti	Owned by the same ultimate shareholder	Deposits from customers
PT Margo Hotel Development	Owned by the same ultimate shareholder	Deposits from customers
PT Margo Property Development	Owned by the same ultimate shareholder	Deposits from customers
PT Mediapura Digital Indonesia	Owned by the same ultimate shareholder	Deposits from customers
PT Merah Cipta Media	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Multigraha Lestari	Owned by the same ultimate shareholder	Deposits from customers
PT Nagaraja Lestari	Owned by the same ultimate shareholder	Deposits from customers
PT Orbit Abadi Sakti	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Poly Kapitalindo	Owned by the same ultimate shareholder	Deposits from customers
PT Polyvisi Rama Optik	Owned by the same ultimate shareholder	Deposits from customers
PT Pradipta Mustika Cipta	Owned by the same ultimate shareholder	Deposits from customers
PT Profesional Telekomunikasi Indonesia	Owned by the same ultimate shareholder	Loans receivable, deposits from customers
PT Puri Dibya Property	Owned by the same ultimate shareholder	Deposits from customers
PT Puri Zuqni	Owned by the same ultimate shareholder	Deposits from customers
PT Resinda Prima Entertama	Owned by the same ultimate shareholder	Deposits from customers
PT Sapta Adhikari Investama	Owned by the same ultimate shareholder	Deposits from customers
PT Sarana Kencana Mulya	Owned by the same ultimate shareholder	Deposits from customers
PT Sarana Menara Nusantara	Owned by the same ultimate shareholder	Deposits from customers
PT Savoria Kreasi Rasa	Owned by the same ultimate shareholder	Deposits from customers
PT Silva Rimba Lestari	Owned by the same ultimate shareholder	Deposits from customers
PT Sineira Rimba Belantara	Owned by the same ultimate shareholder	Deposits from customers

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**47. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

Related parties	Nature of relationship	Nature of transaction
PT Suarniaga Indonesia	Owned by the same ultimate shareholder	Deposits from customers
PT Supravisi Rama Optik Manufacturing	Owned by the same ultimate shareholder	Deposits from customers
PT Swarnadwipa Serdangjaya	Owned by the same ultimate shareholder	Deposits from customers
PT Tricipta Mandhala Gumilang	Owned by the same ultimate shareholder	Deposits from customers
PT Trigana Putra Mandiri	Owned by the same ultimate shareholder	Deposits from customers
PT Verve Persona Estetika	Owned by the same ultimate shareholder	Deposits from customers
PT Wana Hijau Pesaguan	Owned by the same ultimate shareholder	Deposits from customers
Key management personnel	Bank's Board of Commissioners and Board of Directors	Loans receivable, deposits from customers, employee benefits
The Bank's controlling individuals and their family members	Shareholder	Deposits from customers

In the normal course of business, the Bank has transactions with related parties due to their common ownership and/or management. All transactions with related parties are conducted with agreed terms and conditions.

The details of significant balances and transactions with related parties that were not consolidated as of 31 December 2018 and 2017, and for the years then ended were as follows:

	2018		2017	
	Amount	Percentage to total	Amount	Percentage to total
Loans receivable*) (Note 12)	3,216,263	0.60%	3,572,442	0.76%
Biaya dibayar dimuka**) (Note 15)	224,409	16.33%	237,807	18.49%
Other assets***)	8,036	0.06%	7,581	0.08%
Deposits from customers (Note 19)	2,489,190	0.40%	3,290,867	0.57%
Unused credit facilities to customers (Note 27)	426,591	0.21%	146,704	0.08%
Letter of credit facilities to customers (Note 27)	31,857	0.31%	11,565	0.15%
Bank guarantee issued to customers (Note 27)	93,619	0.61%	73,864	0.53%
Interest and sharia income (Note 28)	70,286	0.12%	52,332	0.10%
Interest and sharia expenses (Note 29)	36,013	0.31%	166,809	1.40%
Rental expenses (Note 34)	13,398	0.93%	13,398	0.99%
Contribution to pension plan (Note 33)	216,950	79.39%	202,549	79.43%

\*) Before allowance for impairment losses.

\*\*) Represent prepaid rental and security deposits to PT Grand Indonesia.

\*\*\*) Represent rental deposit to PT Grand Indonesia.

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**47. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

Compensations for key management personnel of the Bank (see Note 1e) were as follows:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits (including tantiem)	503,325	472,258
Long-term employee benefits	38,031	36,408
Total	<u>541,356</u>	<u>508,666</u>

**Rental agreement with PT Grand Indonesia**

On 11 April 2006, the Bank signed a rental agreement with PT Grand Indonesia (a related party), in which the Bank agreed to lease, on a long-term basis, the office space from PT Grand Indonesia with a total area of 28,166.88 sqm at an amount of USD 35,631,103.20, including Value Added Tax ("VAT"), with an option to lease for long-term additional space of 3,264.80 sqm at an amount of USD 4,129,972, including VAT. This rental transaction was approved by the Board of Directors and Shareholders in the Bank's Extraordinary General Meeting of Shareholders on 25 November 2005 (the minutes of meeting was prepared by Notary Hendra Karyadi, S.H., with Deed No. 11). This rental agreement started on 1 July 2007 and will end on 30 June 2035.

The Bank was required to pay an advance of USD 3,244,092.50 on 5 December 2005, including VAT and 10 (ten) installments of USD 3,238,701.07, including VAT, for the period of 15 April 2006 to 31 December 2006.

As of 31 December 2006, the Bank had paid USD 32,392,402.13, including VAT and it was recorded as other assets. On 2 January 2007, the Bank settled the payments (paid the tenth installment) amounting to USD 3,238,701.07, including VAT.

On 29 June 2007, the Bank paid the lease for additional space in the 28<sup>th</sup> and 29<sup>th</sup> floors of 3,264.80 sqm at an amount of USD 4,129,972, including VAT.

This agreement was notarised by Notary Hendra Karyadi, S.H., under Deed No. 14 dated 11 April 2006.

Starting May 2008, the Bank has calculated the amortisation for those prepaid rental expenses. As of 31 December 2018 and 2017, amortisation of prepaid rental expenses was Rp 140,005 and Rp 126,607, respectively, such that the remaining prepaid rental payment to PT Grand Indonesia as of 31 December 2018 and 2017 was Rp 224,409 and Rp 237,807, respectively, which was recorded as prepaid expenses.

On 24 October 2008, the Bank paid security deposits for additional space on the 30<sup>th</sup> (thirtieth) and 31<sup>st</sup> (thirty first) floor of 3,854.92 sqm at an amount of USD 208,165.68. This agreement was notarised in Deed No. 110 dated 22 May 2008 of Notary Dr. Irawan Soerodjo, S.H., Msi.

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**47. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**Rental agreement with PT Grand Indonesia (continued)**

Rental payment for the 30<sup>th</sup> (thirtieth) and 31<sup>st</sup> (thirty first) floor started on 1 August 2009, for which in accordance with the agreement between the Bank and PT Grand Indonesia, starting from the first rental payment date (1 August 2009), the Bank will make the rental payments on a quarterly basis until the lease expires.

On 19 July 2011, the Bank paid security deposits for additional space on the 32<sup>nd</sup> (thirty second) floor of 1,932.04 sqm at an amount of USD 118,801.46. This agreement was notarised in Deed No. 32 dated 12 September 2011 of Notary Lim Robbyson Halim, S.H., M.H., replacement of Notary Dr. Irawan Soerodjo, S.H., Msi., Notary in Jakarta.

Rental payment for the 32<sup>nd</sup> floor started on 1 September 2011, for which in accordance with the agreement between the Bank and PT Grand Indonesia, starting from the first rental payment date (1 September 2011), the Bank will make the rental payments on a quarterly basis until the lease expires.

On 22 June 2015, the Bank paid security deposits for additional space on the 33<sup>rd</sup> (thirty third) floor of 1,932.04 sqm at an amount of USD 231,844.80. This agreement was notarised in Deed No. 413 dated 30 June 2015 of Notary Dr. Irawan Soerodjo, S.H., Msi., Notary in Jakarta.

Rental payment for the 33<sup>rd</sup> floor started on 1 September 2015, for which in accordance with the agreement between the Bank and PT Grand Indonesia, starting from the first rental payment date (1 September 2015), the Bank will make the rental payments on a quarterly basis until the lease expires.

**48. NET PAYABLE RECONCILIATION**

	Subordinated bonds	Debt securities issued	Borrowings	Securities sold under agreements to repurchase
<b>Net payable 1 January 2018</b>	-	610,499	3,040,602	96,225
<b>Cash flow:</b>				
Proceeds from subordinated bonds	500,000	-	-	-
Payment of debt securities issued	-	(370,764)	-	-
Proceeds from borrowings	-	-	66,872,390	-
Payment of borrowings	-	-	(67,830,206)	-
Increase in securities sold under agreements to repurchase	-	-	-	1,460,662
Decrease in securities sold under agreements to repurchase	-	-	-	(1,519,429)
<b>Non-cash changes:</b>				
Adjustment of foreign currency	-	-	10,689	10,653
<b>Net payable 31 December 2018</b>	500,000	239,735	2,093,475	48,111

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**49. GOVERNMENT GUARANTEE SCHEME ON THE OBLIGATIONS OF DOMESTIC BANKS**

Based on the Law No. 24 regarding Indonesia Deposit Insurance Corporation (*Lembaga Penjaminan Simpanan* or "LPS") dated 22 September 2004, effective 22 September 2005, the LPS was established to provide guarantee on certain obligations of commercial banks based on the prevailing guarantee schemes, in which the guarantee amount could be changed if certain prevailing criteria are met. The law was changed with the Government Regulation as the Replacement of Law No. 3 Year 2008, which was then changed to a law since 13 January 2009 i.e. the Law of Republic of Indonesia No. 7 Year 2009.

Based on Government of Republic of Indonesia Regulation No. 66/2008 dated 13 October 2008 regarding the deposit amount guaranteed by LPS, on 31 December 2018 and 2017, the deposit amount guaranteed by LPS for every customer in a bank is at a maximum of Rp 2,000.

As of 31 December 2018 and 2017, the Bank was the participant of this guarantee scheme.

**50. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Financial Accounting Standard Board of Indonesian Institute of Accountants (DSAK-IAI) has issued the following new standards, amendments and interpretations, but not yet effective for the financial year beginning 1 January 2018 as follows :

- ISFAS 33 "Foreign Currency Transactions and Advance Consideration"
- ISFAS 34 "Uncertainty over Income Tax Treatment"
- The amendments to SFAS 24 "Employee Benefit: Plan Amendment, Curtailment Or Settlement"
- Annual Improvements to SFAS 22 "Business Combination"
- Annual Improvements to SFAS 26 "Borrowing Cost"
- Annual Improvements to SFAS 46 "Income Tax"
- Annual Improvements to SFAS 66 "Joint Control"

The above standards will be effective on 1 January 2019.

- SFAS 71 "Financial Instruments"
- SFAS 72 "Revenue from Contracts with Customers"
- SFAS 73 "Leases"
- The amendments to SFAS 62 "Insurance Contract - Implementation of SFAS 71: Financial Instruments with SFAS 62: Insurance Contract"
- The amendments to SFAS 15 "Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures"
- The amendments to SFAS 71 " Financial Instruments: Free Payment Features with Negative Compensation"

The above standard will be effective on 1 January 2020.

- SFAS 112 "Accounting *Wakaf*"

The above standard will be effective on 1 January 2021.

As at the authorisation date of these consolidated financial statements, the Group is evaluating the potential impact of these new and revised standards to the Group consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2018 AND 2017**

(Expressed in millions of Rupiah, unless otherwise stated)

**51. ACCOUNT RECLASSIFICATION**

Few accounts in the consolidated statement of financial position for the year ended 31 December 2017 were reclassified in order to be in conformity with presentation of consolidated statement of financial position for the year ended 31 December 2018:

	31 December 2017		
	<u>Before reclassification</u>	<u>Reclassification</u>	<u>After reclassification</u>
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>			
<b><u>ASSETS</u></b>			
Intangible assets - net of accumulated amortisation	-	869,138	869,138
Prepaid expenses			
Related parties	-	237,807	237,807
Third parties	-	1,048,287	1,048,287
Prepaid tax	-	38	38
Other assets - net of allowance for impairment losses			
Related parties	245,388	(237,807)	7,581
Third parties	11,737,090	(1,917,463)	9,819,627
<b><u>LIABILITIES</u></b>			
Tax liabilities	147,398	(147,398)	-
Tax payable	-	551,130	551,330
Accrued expenses and other liabilities	11,332,381	(403,732)	10,928,649
<b><u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u></b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in borrowings - net	252,050	(252,050)	-
Proceeds from borrowings	-	81,151,092	81,151,092
Payment of borrowings	-	(80,899,042)	(80,899,042)
(Decrease) increase in securities sold			
under agreements to repurchase - net	(38,523)	38,523	-
Increase in securities sold under agreements to repurchase	-	1,702,049	1,702,049
Decrease in securities sold under agreements to repurchase	-	(1,740,572)	(1,740,572)

**52. ADDITIONAL INFORMATION**

Information presented in schedule 6/1 - 6/8 are additional financial information of PT Bank Central Asia Tbk, (Parent Entity), which presented investment in Subsidiaries according to cost method and are an integral part of the consolidated financial statements of the Group.



**ADDITIONAL INFORMATION**  
**STATEMENTS OF FINANCIAL POSITION (PARENT ENTITY ONLY)**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash	21,677,576	16,726,199
Current accounts with Bank Indonesia	43,282,691	43,229,819
Current accounts with other banks	8,474,189	8,919,113
Placements with Bank Indonesia and other banks	30,403,652	17,368,879
Financial assets held for trading	5,776,887	6,009,467
Acceptance receivables - net of allowance for impairment losses of Rp 335,850 as of 31 December 2018 (31 December 2017: Rp 416,642)	11,582,285	9,899,426
Bills receivable - net of allowance for impairment losses of Rp 5,645 as of 31 December 2018 (31 December 2017: Rp 4,822)	8,534,552	6,532,552
Securities purchased under agreements to resell	9,182,017	8,729,981
Loans receivable - net of allowance for impairment losses of Rp 13,568,311 as of 31 December 2018 (31 December 2017: Rp 13,243,452)		
Related parties	3,295,056	3,928,052
Third parties	521,051,066	450,448,054
Investment securities - net of allowance for impairment losses Rp 803 as of 31 December 2018 (31 December 2017: Rp 416,702)	106,011,781	129,173,572
Prepaid expenses	1,060,718	1,052,864
Prepaid tax	5,235	-
Fixed assets - net of accumulated depreciation of Rp 9,862,667 as of 31 December 2018 (31 December 2017: Rp 8,868,882)	18,814,438	16,462,593
Intangible assets – net of accumulated amortisation of Rp 1,009,154 as of 31 December 2018 (31 December 2017: Rp 613,151)	508,456	708,692
Deferred tax assets - net	2,925,098	2,967,032
Investment in shares - net of allowance for impairment losses of Rp 36,966 as of 31 December 2018 (31 December 2017: Rp 34,414)	3,599,218	3,346,595
Other assets - net of allowance for impairment losses of Rp 2,030 as of 31 December 2018 (31 December 2017: Rp 1,439)	12,463,204	9,202,718
<b>TOTAL ASSETS</b>	<b><u>808,648,119</u></b>	<b><u>734,705,608</u></b>

**ADDITIONAL INFORMATION**  
**STATEMENTS OF FINANCIAL POSITION (PARENT ENTITY ONLY)**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Deposits from customers		
Related parties	2,772,111	3,358,922
Third parties	627,322,840	577,824,574
Deposits from other banks	6,504,001	5,762,982
Financial liabilities held for trading	188,934	51,389
Acceptance payables	5,843,486	5,800,477
Tax payables	1,053,915	367,934
Borrowings	986	969
Post-employment benefits obligation	6,296,530	6,363,388
Accruals and other liabilities	12,245,851	8,338,717
Subordinated bonds	500,000	-
<b>TOTAL LIABILITIES</b>	<u>662,728,654</u>	<u>607,869,352</u>
<b>EQUITY</b>		
Share capital - par value per share of Rp 62.50 (full amount)		
Authorised capital: 88,000,000,000 shares		
Issued and fully paid: 24,655,010,000 shares	1,540,938	1,540,938
Additional paid-in capital	5,711,368	5,711,368
Revaluation surplus of fixed assets	8,675,407	6,587,497
Unrealised gains (losses) on available-for-sale financial assets - net	(130,353)	1,259,805
Retained earnings		
Appropriated	1,697,052	1,463,952
Unappropriated	128,425,053	110,272,696
<b>TOTAL EQUITY</b>	<u>145,919,465</u>	<u>126,836,256</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><b>808,648,119</b></u>	<u><b>734,705,608</b></u>

**ADDITIONAL INFORMATION**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**(PARENT ENTITY ONLY)**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2018</u>	<u>2017</u>
<b>OPERATING INCOME AND EXPENSES</b>		
Interest income	52,952,930	50,024,086
Interest expenses	(11,084,595)	(11,439,382)
<b>INTEREST INCOME - NET</b>	<u>41,868,335</u>	<u>38,584,704</u>
<b>OTHER OPERATING INCOME</b>		
Fee and commission income - net	11,908,191	10,260,158
Net trading income - net	2,775,758	1,766,519
Other operating income	1,374,139	1,656,060
Total other operating income	<u>16,058,088</u>	<u>13,682,737</u>
Impairment losses on assets	(2,367,389)	(2,261,854)
<b>OTHER OPERATING EXPENSES</b>		
Personnel expenses	(10,998,606)	(10,271,812)
General and administrative expenses	(12,074,173)	(11,427,835)
Others	(1,553,340)	(831,278)
Total other operating expenses	<u>(24,626,119)</u>	<u>(22,530,925)</u>
<b>INCOME BEFORE TAX</b>	<u>30,932,915</u>	<u>27,474,662</u>
<b>INCOME TAX EXPENSE</b>	(6,230,370)	(5,310,882)
<b>NET INCOME (Carried forward)</b>	<u>24,702,545</u>	<u>22,163,780</u>

**ADDITIONAL INFORMATION**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**(PARENT ENTITY ONLY)**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2018</u>	<u>2017</u>
<b>NET INCOME (Brought forward)</b>	24,702,545	22,163,780
<b>OTHER COMPREHENSIVE INCOME:</b>		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit liability	362,416	(810,007)
Income tax	(269,202)	202,502
	<u>93,214</u>	<u>(607,505)</u>
Revaluation surplus of fixed assets	2,087,910	(4,330)
	<u>2,181,124</u>	<u>(611,835)</u>
Items that will be reclassified to profit or loss:		
Unrealised (losses) gains on available-for-sale financial assets	(1,842,681)	1,849,895
Income tax	452,523	(462,474)
	<u>(1,390,158)</u>	<u>1,387,421</u>
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>	<u>790,966</u>	<u>775,586</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>25,493,511</u>	<u>22,939,366</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY (full amount of Rupiah)</b>	<u>1,002</u>	<u>899</u>

**ADDITIONAL INFORMATION**  
**STATEMENTS OF CHANGES IN EQUITY (PARENT ENTITY ONLY)**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	2018						Total equity
	Issued and fully paid-up capital	Additional paid-in capital	Revaluation surplus of fixed assets	Unrealised (losses) gains on available-for-sale financial assets-net	Retained earnings		
					Appropriated	Unappropriated	
<b>Balance, 31 December 2017</b>	1,540,938	5,711,368	6,587,497	1,259,805	1,463,952	110,272,696	126,836,256
Net income for the year	-	-	-	-	-	24,702,545	24,702,545
Revaluation surplus of fixed assets	-	-	2,087,910	-	-	-	2,087,910
Unrealised losses on available-for-sale financial assets - net	-	-	-	(1,390,158)	-	-	(1,390,158)
Remeasurement of defined benefit liability - net	-	-	-	-	-	93,214	93,214
Total comprehensive income for the year	-	-	2,087,910	(1,390,158)	-	24,795,759	25,493,511
General reserve	-	-	-	-	233,100	(233,100)	-
Cash dividends	-	-	-	-	-	(6,410,302)	(6,410,302)
<b>Balance, 31 December 2018</b>	<b>1,540,938</b>	<b>5,711,368</b>	<b>8,675,407</b>	<b>(130,353)</b>	<b>1,697,052</b>	<b>128,425,053</b>	<b>145,919,465</b>

**ADDITIONAL INFORMATION**  
**STATEMENTS OF CHANGES IN EQUITY (PARENT ENTITY ONLY)**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	2017						Total equity
	Issued and fully paid-up capital	Additional paid-in capital	Revaluation surplus of fixed assets	Unrealised (losses) gains on available-for-sale financial assets-net	Retained earnings		
					Appropriated	Unappropriated	
<b>Balance, 31 December 2016</b>	1,540,938	5,711,368	6,591,827	(127,616)	1,257,895	94,100,031	109,074,443
Net income for the year	-	-	-	-	-	22,163,780	22,163,780
Revaluation surplus of fixed assets	-	-	(4,330)	-	-	-	(4,330)
Unrealised gains on available-for-sale financial assets - net	-	-	-	1,387,421	-	-	1,387,421
Remeasurement of defined benefit liability - net	-	-	-	-	-	(607,505)	(607,505)
Total comprehensive income for the year	-	-	(4,330)	1,387,421	-	21,556,275	22,939,366
General reserve	-	-	-	-	206,057	(206,057)	-
Cash dividends	-	-	-	-	-	(5,177,553)	(5,177,553)
<b>Balance, 31 December 2017</b>	<b>1,540,938</b>	<b>5,711,368</b>	<b>6,587,497</b>	<b>1,259,805</b>	<b>1,463,952</b>	<b>110,272,696</b>	<b>126,836,256</b>

**ADDITIONAL INFORMATION**  
**STATEMENTS OF CASH FLOWS (PARENT ENTITY ONLY)**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts of interest income, fees and commissions	63,289,126	59,026,255
Other operating income	878,944	684,506
Payments of interest expenses, fees and commissions	(10,973,180)	(11,396,042)
Payments of post-employment benefits	(668,947)	(1,475,583)
Gain from foreign exchange transactions - net	(405,711)	193,678
Other operating expenses	(21,635,990)	(19,890,190)
Payment of tantiem to Board of Commissioners and Board of Directors	(354,950)	(308,114)
Other increases/decreases affecting cash:		
Placements with Bank Indonesia and other banks - mature more than 3 (three) months from the date of acquisition	2,803,980	(541,858)
Financial assets held for trading	1,507,219	(525,166)
Acceptance receivables	(1,602,067)	(2,970,148)
Bills receivable	(1,788,022)	(2,745,075)
Securities purchased under agreements to resell	(452,036)	(6,533,750)
Loans receivable	(71,010,420)	(52,582,504)
Other assets	(2,916,577)	(2,543,219)
Deposits from customers	46,240,525	51,018,180
Deposits from other banks	652,579	859,921
Acceptance payables	43,009	1,613,329
Accruals and other liabilities	4,036,740	1,747,822
<b>Net cash provided by operating activities before income tax</b>	<b>7,644,222</b>	<b>13,632,042</b>
Payment of income tax	(5,337,912)	(5,293,907)
<b>Net cash provided by operating activities</b>	<b>2,306,310</b>	<b>8,338,135</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investment securities	45,279	-
Acquisition of investment securities	(78,978,061)	(89,261,381)
Proceeds from investment securities that matured during the year	102,721,330	70,725,054
Cash dividends received from investment in shares	587,873	454,073
Capital injection in Subsidiaries	-	(199,999)
Acquisition of Subsidiaries from non-controlling	-	(822,713)
Acquisition of fixed assets	(2,236,761)	(1,607,076)
Proceeds from sale of fixed assets	4,703	501,317
<b>Net cash provided by (used in) investing activities</b>	<b>22,144,363</b>	<b>(20,210,725)</b>

**ADDITIONAL INFORMATION**  
**STATEMENTS OF CASH FLOWS (PARENT ENTITY ONLY)**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**  
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from subordinated bonds	500,000	-
Proceeds from borrowings	17	36
Payment of borrowings	-	(808,350)
Payment of cash dividends	(6,410,302)	(5,177,553)
<b>Net cash used in financing activities</b>	<b>(5,910,285)</b>	<b>(5,985,867)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>18,540,388</b>	<b>(17,858,457)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>81,567,489</b>	<b>98,751,874</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS</b>	<b>1,687,964</b>	<b>674,072</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>101,795,841</b>	<b>81,567,489</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	21,677,576	16,726,199
Current accounts with Bank Indonesia	43,282,691	43,229,819
Current accounts with other banks	8,474,189	8,919,113
Placement with Bank Indonesia and other banks - mature within 3 (three) months or less from the date of acquisition	28,361,385	12,692,358
<b>Total cash and cash equivalents</b>	<b>101,795,841</b>	<b>81,567,489</b>