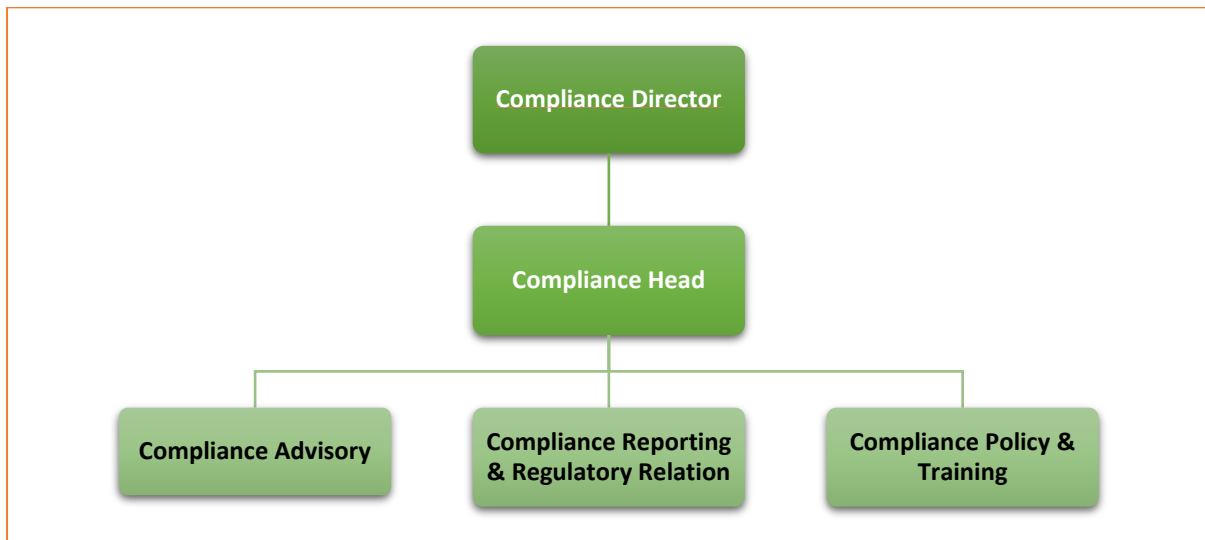


COMPLIANCE RISK
GENERAL QUALITATIVE DISCLOSURE
31 December 2024

Compliance risk is a risk that arises if the Bank is non-compliant and/or does not implement in accordance with applicable laws and regulations when conducting business activities.

Compliance Risk Management Framework

The Bank’s Compliance Risk Management organization is as shown below:



The Bank has compliance policies and procedures which are the basic infrastructure in implementing the governance of the Compliance Function. Reviews and improvements to the Bank's Compliance Policy are carried out continuously, including in line with the issuance of new provisions of the Financial Services Authority (OJK), Bank Indonesia (BI), the Deposit Insurance Corporation (LPS) and the Indonesian Payment System Association (ASPI), as well as other legal provisions and provisions from Sumitomo Mitsui Banking Corporation (SMBC) as the majority shareholder and also the Controlling Shareholder of the Bank. The Board of Directors and Board of Commissioners always carry out active supervision of the implementation of the Compliance Function, which is carried out, among others, through the following activities:

1. Report on the implementation of the Compliance Unit's duties and responsibilities to the Director of Compliance (monthly);
2. Report on the implementation of the Compliance Director's duties and responsibilities to the President Director with a copy to the Board of Commissioners (quarterly);
3. Report on the implementation of the Compliance Director's duties and responsibilities submitted to the Financial Services Authority (OJK) with a copy to the Board of Commissioners and the President Director (semi-annually);

4. Report on the results of the Compliance Risk assessment of inherent risks and the quality of the implementation of compliance risk management in the Bank's operations submitted to the Risk Management Unit (quarterly);
5. Reporting the results of monitoring of Compliance risks to the Board of Directors at the Board of Directors Meeting and to the Board of Commissioners at the Board of Directors meeting forum with the Board of Commissioners (quarterly) and at the Audit Committee meeting (semi-annually).

The Board of Directors and Board of Commissioners have also approved the Compliance Policy which is the basic infrastructure in implementing the governance of the Compliance Function. The policy is used as a guideline in implementing the Bank's Compliance Function.

In compliance with POJK Number 46/POJK.03/2017 concerning the Implementation of the Compliance Function of Commercial Banks, the Board of Commissioners carries out active supervision of the Compliance Function through the implementation of evaluations of the implementation of the Bank's Compliance Function which is carried out at least 2 (two) times in one year, and provides suggestions/recommendations to improve the quality of the implementation of the Bank's Compliance Function.

Monitoring the implementation of the Compliance Function and governance in subsidiaries, namely Bank BTPN Syariah, PT Oto Multiartha, and PT Summit Oto Finance in accordance with applicable OJK provisions.

Adequacy of Policies, Procedures, and Limit Setting

The Bank has a Compliance Policy and Procedure which is the basic infrastructure in implementing the governance of the Compliance Function. The policy serves as a guideline in implementing the Bank's Compliance Function. Continuous reviews and improvements are carried out on the Compliance Policy and Procedure in order to ensure compliance with applicable provisions, including in line with the issuance of new provisions of the Financial Services Authority (OJK), Bank Indonesia (BI), and the Deposit Insurance Corporation (LPS), and the Indonesian Payment System Association (ASPI) as well as other legal provisions and provisions from Sumitomo Mitsui Banking Corporation (SMBC) as the majority shareholder and also the Controlling Shareholder of the Bank.

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

Compliance risk management is carried out through the process of identifying, measuring, monitoring and controlling risks in accordance with the implementation of risk management, in order to ensure the Bank's compliance with applicable laws and regulations, namely as follows:

1. The process of identifying compliance risks, among others, is carried out through compliance tests on policies, product programs, company actions to be implemented, including transactions that must obtain approval from the Credit Committee.

2. The process of measuring compliance risks is carried out through self-assessment of compliance risks as part of the preparation of the Bank's risk profile. This activity is carried out periodically using a risk approach (Risk Based Bank Rating). In addition, a Compliance Self Assessment (CSA) is carried out every semester with the aim of ensuring that the policies, systems, procedures, and business activities carried out by the Bank are in accordance with the provisions of OJK, BI, LPS, and ASPI as well as the provisions of applicable laws and regulations. As a subsidiary of the SMBC Group, the risk measurement process is carried out through the implementation of Compliance Risk Assessment (CRA) based on SMBC provisions and other related laws and regulations.
3. The compliance risk monitoring process is carried out, among others, through a review of the Bank's policy compliance with applicable provisions, fulfillment of prudential parameters, submission of reports to the OJK, BI, LPS, and other authorized authorities, and follow-up on regulatory findings (including OJK and BI).
4. The compliance risk control process is carried out through, among others, periodic reviews of compliance policies and procedures, as well as following up on external and internal audit results.
5. Periodically and continuously, the implementation of the Bank's Compliance Function is reported to the Compliance Director and President Director with a copy to the Board of Commissioners. In addition, it is also conveyed in the Board of Directors meeting forum, the Board of Directors meeting with the Board of Commissioners and at the Audit Committee meeting.

Internal Control System on Compliance Risks

The Bank has an adequate Internal Control System to ensure compliance with the provisions of OJK, BI, LPS and ASPI as well as other laws and regulations. The Bank's Internal Control System uses a 3 (three) layers of defense model (three lines of defense), consisting of Business work units and supporting functions as Risk Taking Units and assisted by Business Risk/Internal Control & Risk (ICR) as coordinators in managing compliance risk in the first layer of defense.

As the second layer of defense are the Risk Management Directorate, Compliance and Legal Directorate, Finance Division and Human Resources Division. The Compliance Division as part of the second layer of defense plays a role in developing frameworks and policies related to compliance, and the Internal Audit Work Unit (SKAI) as the third layer of defense works independently in assessing the effectiveness of compliance risk management.

The Internal Audit Work Unit (SKAI) conducts periodic checks on the adequacy of the compliance risk management process and compliance from each related party in accordance with the established Audit Plan.

In order to develop internal control over Compliance Risk, compliance process improvements are also made, including through strengthening the supporting infrastructure for the implementation of the Compliance Function in the Compliance Division in the form of a special monitoring system through the Operational System for Compliance Reporting (OSCAR) for the fulfillment of follow-up to OJK, BI, LPS, and ASPI regulations, fulfillment of Regulatory inspection findings and others. The system is also continuously adjusted and developed to remain relevant and in line with the needs of the organization.

Disclosure of risk exposure and implementation of risk management in 2024:

In line with the Bank's commitment to continuously improve the culture of compliance in all lines of the Bank's organization and business activities, this is reflected in the fulfillment of the Compliance Function that has been achieved by the Bank, including the following:

- The Bank's soundness level based on Risk Based Bank Rating/RBBR as of December 2024 was rated 2 (Sound/Healthy).
- Compliance with regulatory parameter, including:
 - 1) Minimum Capital Adequacy Ratio (CAR), including Core Capital Adequacy Ratio in accordance with applicable provisions.
 - 2) There are no violations or exceedances of the Legal Lending Limit (LLL).
 - 3) Net NPL below 1%.
 - 4) Fulfillment of Minimum Reserve Requirement (MRR) both in Rupiah and Foreign Currency in accordance with applicable provisions.
 - 5) Fulfillment of Net Foreign Exchange Position (PDN) in accordance with applicable provisions.
 - 6) Fulfillment of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) in accordance with applicable provisions.
 - 7) Fulfillment of Leverage Ratio and Macroprudential Inclusive Financing Ratio (RPIM) in accordance with applicable provisions.
- In relation to the determination of Bank SMBC Indonesia as a Systemic Bank, the fulfillment of the formation of capital surcharge and the implementation of the Recovery Plan program that the Bank has, has been in accordance with OJK provisions.
- Fulfillment of the commitment of the OJK and Bank Indonesia audit findings has been in accordance with the set time target.