

COMPLIANCE RISK

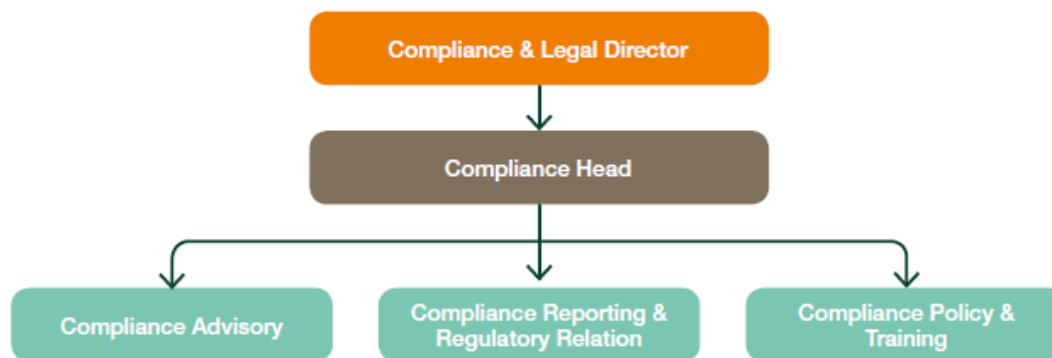
GENERAL QUALITATIVE DISCLOSURE

31 December 2021

Compliance risk is the arising risk in the event the Bank does not comply and/or does not implement the applicable laws and regulations in running business activities.

Compliance Risk Management Framework

Compliance Risk Management Organization in the Bank is as follows:



The Bank has compliance policies and procedures which are the basic infrastructure in implementing governance of the Compliance Function. Review and improvement of the Bank compliance policy is carried out on an ongoing basis, among others, in line with the issuance of new provisions of the Financial Services Authority (FSA), Bank Indonesia (BI) as well as other statutory provisions as well as provisions from Sumitomo Mitsui Banking Corporation (SMBC) as the majority shareholder as well as Controlling Shareholders of the Bank. The Board of Directors and the Board of Commissioners always supervise the implementation of the Compliance Function, which among others is carried out through the following mechanisms:

1. Report on duties and responsibilities implementation of the Compliance Division to the Compliance Director (monthly)
2. Report on duties and responsibilities implementation of the Compliance Director to the President Director with a copy to the Board of Commissioners (quarterly)
3. Report on the monitoring results of Compliance Risk 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 as well as at regular Audit Committee meetings.

The Board of Directors and the Board of Commissioners had approved the compliance policy as the basic infrastructure in implementing the governance of the Compliance Function. This policy will be used as guideline in implementing the Bank's Compliance Function.

As fulfillment of FSA Regulation No. 46/ POJK.03/2017 concerning the Implementation of the Compliance Function of Commercial Bank, the Board of Commissioners has evaluated the implementation of the Compliance Function of the Bank which is carried out at least 2 (two) times in one year (semester). It includes providing suggestions/recommendations to improve Compliance Function implementation of the Bank.

The Bank also always ensures that the implementation of the Compliance Function and governance in its subsidiary, namely BTPN Syariah, has been carried out adequately in line with FSA regulations regarding the Implementation of Integrated Governance for Financial Conglomerates.

Adequacy of Policies, Procedures, and Limit

The Bank has compliance policy and procedure as the basic infrastructure in implementing the governance of the Compliance Function. The policy and procedure are used as guidelines in the guideline in the Compliance Function implementation of the Bank. Ongoing review and improvement of the concerned policies and procedures is carried out to ensure compliance with applicable regulations, among others, in line with the issuance of new provisions of the Financial Services Authority, Bank Indonesia and other statutory provisions.

Adequacy of Risk Identification Process, Measurement, Monitoring and Control and Risk Management Information Systems

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

1. The process of identifying compliance risk, among others, is carried out through compliance tests on policies, program products, corporate actions to be taken, including transactions that must be approved by the Credit Committee.
2. The process of measuring compliance risk is carried out through the self assessment on Compliance Risk as part of the Bank's risk profile. This activity is carried out periodically using Risk Based Bank Rating. 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 as the majority shareholder as well as the Bank's Controlling Shareholder as well as other relevant statutory provisions.
3. The process of monitoring compliance risk is carried out through review of the suitability Bank's policies with the applicable regulations, fulfillment of prudential parameters, submission of report submission to FSA, BI and other relevant authorities follow-up to FSA/BI findings.
4. The compliance risk control process is carried out through, among others, periodic reviews of compliance policies and procedures, follow-up on the results of external and internal audits.
5. Periodically and continuously, Compliance Function implementation of the Bank is reported to the Compliance Director and the President Director with a copy to the Board of Commissioners. Additionally, it is also conveyed in the Board of Directors meeting forum, the Board of Directors meeting with the Board of Commissioners as well as at regular meetings of Audit Committee.

Internal Control System for Compliance Risk

The Bank has an adequate internal control system to ensure compliance with FSA and BI regulations as well as other laws and regulations. The Bank's internal control system uses 3 (three) line of defense model consisting of Business work unit and supporting function as Risk Taking Unit and is assisted by Business Risk/Internal Control & Risk ICR as a coordinator in managing compliance risk in the first line of defense.

The second line of defense is the Risk Management Division, the Compliance Division, the Legal Division, the Finance Division and the Human Capital Division. The Compliance Division as part of the second layer of defense takes a role in the development of frameworks and policies related to compliance and Internal Audit (IA) as the third layer of defense works independently in assessing the effectiveness of compliance risk management.

Internal Audit regularly checks on the adequacy of the compliance risk management process as well as the compliance of each related party in line with the established Audit Plan.

Disclosure of risk exposure and implementation of risk management in 2021:

During 2021, the Bank were able to maintain compliance with the provisions of FSA, BI and applicable laws and regulations with the following achievements:

1. The Bank's Soundness Rating based on based on risk (Risk Based Bank Rating/RBBR) as of December 2021 is ranked 2 (Healthy).
2. Fulfillment of Regulatory Parameter, including:
 - a. Minimum Capital Adequacy Ratio (KPMM), including the Leverage Ratio above the applicable regulations.
 - b. There are no violations or excess of Legal Lending Limit (LLL).
 - c. Net NPL below 1%.
 - d. Fulfillment of Statutory Reserves (GWM) for both Rupiah and Foreign Currency above the applicable provisions.
 - e. Fulfillment of Net Open Position (PDN) according to the applicable regulations.
 - f. Fulfillment of Net Stable Funding Ratio and Liquidity Coverage Ratio above the applicable Regulations
3. Fulfillment of capital surcharge in accordance with FSA regulations in line with BTPN stipulation as Systemic Bank.
4. The majority of the fulfillment of the commitment to the results follow-up on FSA examination can be fulfilled according to the established time target. For follow-up actions that have not been delivered according to the set target time, this is due to it takes longer to complete. Therefore, the Bank submitted application for extension of the follow-up period for the fulfillment of the audit findings to FSA and the application had received approval from FSA.