

Risk Exposure Report



A MEMBER OF
SMBC Group

Strategic Risk – General Qualitative Disclosures

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Strategic Risk is risk resulting from the inaccuracy of decision making and/or implementation of a strategic decision as well as from the failure in anticipating changes in the business environment.

1. Strategic Risk Management Framework

The Strategic Risk Work Unit plays a role in strategic risk management and is under the active supervision of the Board of Commissioners and the Board of Directors. The strategic risk working group includes all business lines and support units that work closely with the Investor Relations Division of the Finance Directorate in analyzing and monitoring strategic risk.

The Bank continuously conduct reviews of strategic issues that emerge as a result from changes occurring in the operation areas and in the business environment that cause negative impact on the Bank's business or financial conditions. All of the strategic implementation is developed periodically following evaluations and adjustments.

2. Adequacy in Policies, Procedures and Limit

The Bank has policies and procedures that regulate the processes of formulating and preparing the Bank's Business Plan which includes reviews on strategic directives and key activities to support the implementation of the set strategies.

The Strategic Risk Management Policy covers the following:

- a. Policies related to strategic risks as guidelines for strategic control function.
- b. Strategic risk management includes mitigation of possible negative impact resulting from the inaccuracy of strategic decision making and failure in anticipating changes in the business environment.
- c. General Audit policies as guidelines for the Bank's Internal Audit.

While strategic risk procedures related to the setting of procedures and limits are referred to the guidelines set forth under applied policies. The set strategic risk limit may cover risks resulting from deviation of the strategic plans due to deviation of the budget and the target time of completion.

3. Adequacy of Processes in Risk Identification, Measurement, Monitoring, and Control, and Risk Management Information Systems

Identification of strategic risk is the result from review of the risk characteristics. In identification process, the Bank always record and organize the efforts of each strategic risk data and potential loss resulting from non-actualized or implementation ineffectiveness of the set business strategies and plans, especially that cause significant impact on the Bank's capital.

The Bank's strategic risk management information system covers the following activities:

- a. Present the need for accurate, on-time and updated information.
- b. Support the management function for easier process of planning and decision making.
- c. Fulfill the availability of data in accordance with the Bank's business plan.
- d. Support the implementation of audit footprints on strategic risk events data in managing and reporting as well as documenting each strategic risk event for potential loss projection of certain period.

4. Internal Control System for Strategic Risk

The Bank has an internal control system for strategic risk management by periodically monitoring the Bank's performance, both in terms of quantitative as well as qualitative.