

COMPLIANCE RISK
GENERAL RISK DISCLOSURE
31 December 2020

Compliance risk is a risk that is caused by the Bank's in carrying out its business activities do not comply and/ or do not implement the prevailing laws and regulations

1. Compliance Risk Management Framework

Bank has the Compliance Policies and Procedures as the base infrastructure in conducting Compliance Function. Review and refinement of the Bank's Compliance Policies are performed sustainably, among others, in line with the issuance of new regulations from Financial Services Authority (OJK), Bank Indonesia (BI) as well as other laws and regulations and provisions of Sumitomo Mitsui Banking Corporation (SMBC) as the Bank's majority and Controlling Shareholder.

The Board of Directors continues to supervise the implementation of the Compliance Function, which among others are conducted through the following mechanisms:

- Report (monthly) to the Compliance & Legal Director on the implementation of duties and responsibilities of the Compliance Unit
- Report (quarterly) to the President Director and the Board of Commissioners on the implementation of duties and responsibilities of the Compliance & Legal Director
- Report (periodically) on results of monitoring of compliance risk to the Board of Directors (BoD) at the BoD meeting forum and to the BoC at the BoD and BoC meeting forum, as well as at the Audit Committee meeting.

In addition, the Board of Directors has approved the Compliance Policies and Procedures as base infrastructure in the implementation of Compliance Function which will be used as guidelines for the Bank's Compliance Function.

In fulfillment to OJK Regulation No. 46/ POJK.03/2017 on the Implementation of Compliance Function of Commercial Banks, the Board of Commissioners has conducted assessment on the implementation of the Bank's Compliance Function at least 2 (two) times in a year (semester).

The Bank continuously assures the implementation of Compliance Function and governance in subsidiary, BTPN Syariah, is adequately executed in line with OJK regulations related to the Application of the Integrated Governance for Financial Conglomerates.

2. Adequacy of Policies, Procedures, and Limit

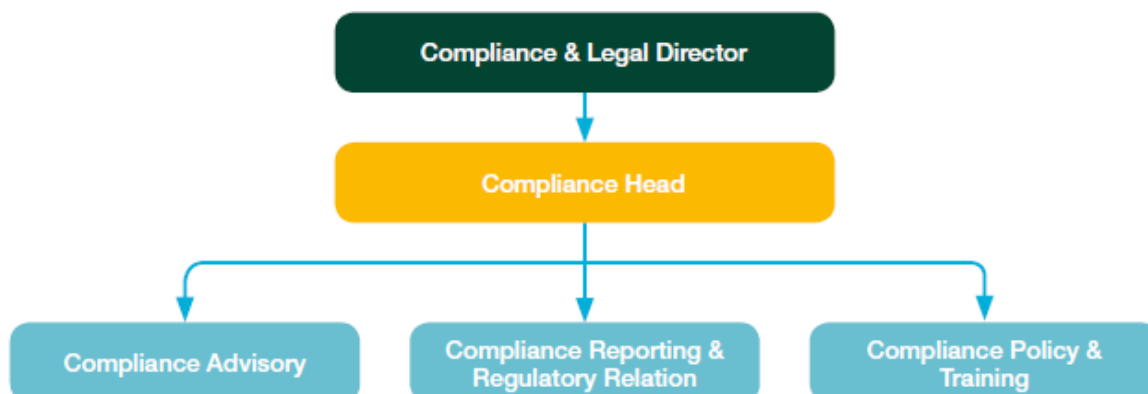
The Bank has policies and procedures, including the APU PPT Policy and Procedure as basic infrastructure in the implementation of compliance function management used as guidelines in the implementation of the Bank's compliance function. Review and refinement are sustainably conducted on the concerned policies and procedures in order to ensure compliance to prevailing regulations, including the refinement of forms used in the implementation of APU & PPT.

3. Adequacy of Processes in Risk Identification, Measurement, Monitoring, and Control, and Risk Management Information Systems Compliance Risk Management is sustainably implemented through the processes of risk identification, measurement, monitoring and control to ensure the Bank's compliance to prevailing laws and regulations as follows:
- Compliance Risk identification process, among others is carried out through assessment on the policies, procedures as well as new products/activities and their development as well as corporate actions to be taken, including transactions that must be approved by the Credit Committee.
 - Compliance Risk Measurement process is carried out through the self-assessment on Compliance Risk as part of the Bank's risk profile that periodically performed

As a subsidiary of the SMBC Group, compliance risk measurement process is carried out through the implementation of a Compliance Risk Assessment (CRA) and Compliance Self Review (CSR) based on the provisions of SMBC as the majority shareholder as well as the Controlling Shareholder of the Bank as well as other relevant laws and regulations.

- Process of Monitoring Compliance Risk is done through reviewing the suitability Bank policy with applicable regulations, fulfillment of Prudential Parameters, submission of regulatory reporting to OJK/BI and other relevant authorities, follow up OJK/BI Findings
 - The process of Compliance Risk Control is carried out through, among others, periodic review of Compliance Policy and Procedure, follow up on external/internal audit results.
 - Implementation of the Bank's compliance function is periodically and sustainably reported to the Compliance & Legal Director and the President Director with a copy to the Board of Commissioners as well as to the Meeting forum of the Bank's BoD, BoD and BoC meeting forum as well as at the Audit Committee meeting.
4. Internal Control System for Compliance Risk
- The Bank has an adequate internal control system to ensure compliance with OJK and BI as well as other regulations. Report on compliance implementation is periodically submitted to the Board of Directors and the Board of Commissioners. The Bank continuously ensures Compliance Function and governance of the subsidiary, BTPN Syariah, is adequately implemented in line with OJK regulation related to the Implementation of the Integrated Governance for Financial Conglomerates.

The organization of the Compliance Risk Management is as follows.



5. Disclosure of risk exposure and implementation of risk management in the year 2020:

Assessment on compliance to regulations During the year 2020, the Bank maintained compliance fulfillment to OJK, BI and other prevailing regulations, among others with achieving the following:

- The Bank's Soundness Rating based on Risk Based Bank Rating/RBBR for the position of December 2020 was ranked 2 (Healthy).
- Fulfillment of Regulatory Parameter includes the following:
 - Minimum Capital Adequacy Ratio (CAR), including Leverage Ratio above prevailing stipulation.
 - No violation or exceeding Legal Lending Limit (LLL)
 - Net NPL below 1%
 - Statutory Reserve (GWM) in both Rupiah and Foreign Currency at above prevailing stipulation.
 - Fulfillment of Net Foreign Exchange Position
 - (PDN) is in line with prevailing provision.
 - Fulfillment of Net Stable Funding Ratio and
 - Liquidity Coverage Ratio is above prevailing provision
- Establishing capital surcharge in accordance with OJK regulation in line with Bank BTPN's provisions as a Systemic Bank.
- Majority in fulfillment of follow-up commitment on OJK audit result is fulfilled according to the predetermined target settlement time.