



Performance Highlights



Management Reports



Company Profile



Management Discussion and Analysis



Risk Management

Board of Directors Report



**Lani
Darmawan**

Presiden
Direktur

DEAR SHAREHOLDERS AND STAKEHOLDERS,

Faced with the challenging year of 2023, CIMB Niaga remains consistent in implementing a 5-pillar strategy with the following focuses and initiatives: (1) retail CASA growth expansion by accelerating retail customer acquisition through the use of our digital capabilities, digital ecosystem partnerships, and market share expansion in tier-2 cities; (2) continuous improvement in asset quality; (3) sustainable growth in non-interest income; (4) digital banking innovations to increase customer engagement and enhance customer experience.



It is an honor for us, on behalf of the Board of Directors of CIMB Niaga, to present the Bank's fiscal 2023 performance report. We should all be proud of the Bank's financial and operational achievements this year. It was an outstanding accomplishment that makes us proud and reflects the sound execution of business strategies and the application of the principle of prudence in managing the Bank's business.

Embracing its Kejar Mimpi brand promise, CIMB Niaga has remained steadfast in its determination to be the best partner while also serving as the bank of choice for all customers to help them achieve their dreams. As a bank deeply concerned about the environment and future generations, CIMB Niaga has built sustainability into its business model by incorporating environmental, economic, social, and governance considerations into the banking process. In the spirit of Anda #YangUtama, CIMB Niaga is ready to provide the best customer service ever.

MACROECONOMIC DEVELOPMENTS 2023

In 2023, the global economy faced deceleration despite a decrease in uncertainty within the global financial markets. The United States (US) and India experienced stronger economic growth in 2023 than expected, owing to robust household consumption and government expansion. Quite the opposite, China's economy weakened as the country struggled with reduced outputs in household consumption and investment.

Lower inflation, even if it was higher than the target level, benefited major economies such as the United States. Global interest rates, including those of the Federal Reserve, appeared to have peaked, with the possibility of remaining relatively high for an extended period. Government bond yields, including those of the US Treasury, were in contractionary territory, but they were still considered high and expected to remain there due to the long-term risk premium associated with increased fiscal financing and government debt. This absolute clarity on monetary policy direction in the major economies contributed significantly to a reduction in global financial market uncertainty. This trend had the positive effect of reversing the flow of capital, as investments returned to emerging economies, including Indonesia, and strengthened their currencies.

The Indonesian economy remained on a positive trajectory, buoyed by strong domestic demand. The Central Statistics Agency (BPS) reported 5.05% economic growth, compared to 5.31% the previous year. Household consumption and investment expanded steadily in tandem with restored public confidence and the continuation of the National Strategy Project (PSN). The above data were confirmed by strong key indicators seen in December 2023, such as consumer confidence, retail sales, and the Manufacturing Purchasing Managers' Index (PMI). Exports, on the other hand, were outpaced by imports, which were buoyed by strong domestic demand following the pandemic.



Performance Highlights



Management Reports



Company Profile



Management Discussion and Analysis



Risk Management

According to Bank Indonesia, inflation reached a lower 2.61% in December 2023, which is within the target range of $3.0 \pm 1\%$. Bank Indonesia increased its benchmark rate again and subsequently maintained it at 6% until December 2023. The fixed deposit facility interest rate was set at 5.25%, while the fixed lending facility interest rate stood at 6.75%. This aligns with the central bank's objective of maintaining stability in monetary policy by implementing proactive and future-oriented measures to stabilize the Rupiah and effectively manage inflation within the target range of $2.5 \pm 1\%$ by 2024.

Adequate banking liquidity enhanced banking lending capacity. Until December, the Liquid Assets to Third Party Funds (AL/DPK) ratio remained at a high of 28.73%. Accommodative macroprudential policy, such as the Macroprudential Liquidity Incentive Policy (KLM), contributed to adequate banking liquidity. As of December 2023, the total additional liquidity generated by KLM incentives had reached Rp65 trillion, representing an increase of Rp56 trillion since KLM's introduction on October 1, 2023. Liquidity progress had a positive impact on banking interest rates, with 1-month deposit and lending interest rates remaining at 4.69% and 9.25% in December 2023, respectively. Another factor that contributed to adequate liquidity was the secondary market trading of Bank Indonesia Rupiah Securities (SRBI), which increased banking flexibility in liquidity management and helped maintain credit distribution capacity.

Banking intermediation continued to rise, as evidenced by an increase of 10.38% in bank loans in 2023, with working capital loan and investment loan showing the strongest growths of 10.05% and 12.26%, respectively. Meanwhile, Third Party Funds (DPK) grew 3.73% in the same period, mainly supported by a growth of 4.57% in demand deposit. In 2023, Sharia financing experienced a growth rate of 15.80%, and the growth rate of MSME loan reached 8.03%.

The banking industry remained resilient, as evidenced by its strong capital and low credit risk. The capital adequacy ratio reached a high of 27.69% in 2023. Credit risk remained manageable, as evidenced by the low non-performing loan ratios of 2.19% (gross) and 0.71% (net). Bank Indonesia's (NPL) stress-test results revealed that the domestic banking industry remained resilient in the face of global pressure throughout fiscal 2023.

BANK PERFORMANCE ANALYSIS 2023

STRATEGIES AND POLICIES

Faced with the challenging year of 2023, CIMB Niaga remains consistent in implementing its 5-Pillar Strategy with the following focuses and initiatives: (1) retail CASA growth expansion by accelerating retail customer acquisition through the use of our digital capabilities, digital ecosystem partnership, and market share expansion in tier-2 cities; (2) continuous improvement in asset quality; (3) sustainable growth in non-interest income; (4) digital banking innovations to increase customer engagement and customer experience.

The 5 Pillar Strategy that is consistently implemented by the Bank in the long term includes: 1) Playing to Our Strengths, 2) Expanding the CASA Franchise, 3) Discipline in Cost Management, 4) Preservation of Capital and Balanced Risk Culture, and 5) Leveraging Information Technology. With these pillars, the Bank was able to respond to every emerging challenge and opportunity throughout the year while meeting its targets and aspirations.

1. Playing to Our Strengths

The Consumer Banking and Emerging Business Banking (EBB) segments remain the Bank's key strengths that have gained recognition within the target markets. The two segments offer fair investment returns that are worth the risks taken, as well as promising growth prospects in the future.

In Consumer Banking, CIMB Niaga focuses on prudently pushing loan growth in the mortgage (KPR) and auto loan (KPM) segments with continued expansion in its collaboration network with property developers, property agents, auto dealers, and multi-finance companies as well as other business partners to increase the Bank's Consumer Loan portfolio. In 2023, CIMB Niaga Consumer Banking grew 6.98% to reach Rp71.8 trillion from Rp67.2 trillion in the previous year. Mortgage and auto loans, as the drivers of growth in the consumer segment, also grew 2.28% and 15.70%, respectively.

CIMB Niaga, through the EBB segment, has been very consistent while prudent in offering the best support through solution-oriented banking products and services for customers' business capital and investment needs.



In 2023, EBB recorded a total loan of Rp24.9 trillion, marking a 9.49% increase from the previous year at Rp22.8 trillion. The EBB segment holds growth potential for the future, aligning with the ongoing economic recovery in the domestic landscape. It will continue maximizing banking services for customers across Indonesia, alongside making process improvements, including digital innovation, to enhance the quality of customer service while increasing banking productivity.

2. Expanding the CASA Franchise

Continuing to provide innovative banking products and services that create unique customer journeys and experiences, the Bank experienced an increase in the CASA ratio to 63.86% in 2023, up from 63.57% the previous year.

To further increase CASA, various programs and initiatives are underway in both the retail and non-retail sectors. CIMB Niaga offers innovative products and optimizes digital banking services by establishing strong relationships with customers across multiple segments. Leveraging data analytics and digital capabilities, CIMB Niaga aims to provide target customers with products and services that meet their needs and expectations.

3. Discipline in Cost Management

Consistently monitoring, controlling, and managing all of the Bank's overhead costs to make the best use of resources, CIMB Niaga has demonstrated a proactive and disciplined cost-management strategy. As a result, we continue to make optimal organizational improvements, efficient infrastructure use, operational cost optimization, capital expenditure prioritization, and many others.

The Bank continues to invest in aspects that drive business growth, with an increasing focus on digital banking. Throughout 2023, CIMB Niaga optimized its network footprint and improved digital customer service. This was reflected in a decrease in the cost-to-income ratio from 44.91% to 44.83% in 2023.

4. Preservation of Capital and Balanced Risk Culture

At the end of 2022, CIMB Niaga posted an Adequacy ratio of 24.02%, far above the regulatory requirement. The Bank utilizes the Enterprise Wide Risk Management framework as a guide to carry out business activities and make decisions, creating a balanced culture of risk and compliance across all business units. Risk awareness is heightened by strengthening the role of the Risk Control Unit (RCU) and ensuring quality assurance for all functions within the organization.

With a diversified portfolio and significantly improved asset quality, evidenced by a decrease in Gross NPL from 2.80% to a record low of 1.96%. The Bank continues to focus on improving asset quality to promote profitable asset growth. Risk Adjusted Return On Capital (RAROC) remains the main measure for evaluating the Bank's loan portfolio.

5. Leveraging Information Technology

Prioritizing the use of information technology (IT) to propel the Bank's business to the forefront of digital banking, CIMB Niaga maintains a primary focus on digital platforms to provide the best customer experience and security in banking transactions. Innovation and data utilization continue to be key factors in giving the Bank's businesses a competitive advantage.

In 2023, CIMB Niaga expanded customer engagement beyond general banking features by prioritizing the customer experience in existing digital channels, where digital services are fully integrated with data-driven analysis. We also used IT to increase CASA growth by digitizing business models, digital lines, and customer touch points. Furthermore, we remained focused on implementing Cyber Security Resiliency in order to improve cyber resilience and security while also increasing our preparedness to face cyberattacks.



Performance Highlights



Management Reports



Company Profile



Management Discussion and Analysis



Risk Management

THE ROLE OF THE BOARD OF DIRECTORS IN THE FORMULATION AND PROCESSES OF STRATEGY AND POLICY EXECUTION

We develop short and medium-term bank strategies and policies in the form of a Corporate Plan and a Bank Business Plan (RBB) that align with the Bank's stated vision and mission. We collaborate with the Bank's senior management to evaluate its strategies and policies, including its 5 pillar strategy, and monitor their implementation at all organizational levels. This evaluation is carried out to ensure that the strategies and policies are relevant to business development and meet the Bank's corporate goals and targets.

We take an active role in ensuring that all organizational bodies understand and consistently implement the Bank's strategy. Furthermore, we are directly involved in strategy execution, assisted by our supporting committees and bodies, overseeing the implementation of the Bank's strategies and policies to keep them on track.

2023 TARGETS VS ACHIEVEMENTS

We are pleased to report that the Bank's performance has increased as a result of the proper execution of the 5-Pillar Strategy. In 2023, we delivered strong financial results and made steady progress toward the Bank's transformation goals. The Bank's strong financial performance reflects our proactive and effective approaches to applying the principle of prudence, as we maintained asset quality. Another driver of such strong financial results was well-managed operational income and cost control. As a result, CIMB Niaga's Return on Equity (ROE) increased significantly from 12.59% in 2022 to 15.02% in 2023.

Despite the rapid changes in today's business landscape, the Company continues to provide an appealing level of profitability and shareholder returns on capital, with a particular emphasis on improving capital and liquidity ratios. In 2023, CIMB Niaga had a Capital Adequacy Ratio (CAR) and Loan to Deposit Ratio (LDR) of 24.02% and 89.30%, respectively. This demonstrates that CIMB Niaga has maintained a strong capital and liquidity position.

Total consolidated assets as of December 31, 2023, were Rp334.4 trillion, increased by 8.96% from the previous year's Rp306.8 trillion. Total Third Party Funds (DPK) reached Rp235.9 trillion with a CASA ratio of 63.86%, while the Bank's CASA increased by 4.30% as a result of efforts to strengthen relationships and improve the customer experience when using CIMB Niaga digital services.

Total loan increased by 8.52% to Rp213.4 trillion with the highest growth in Corporate Banking at 11.66%, followed by the EBB business at 9.49% and Consumer Banking at 6.98%. Consumer loan growth was contributed to by auto loans amounting to 15.70% and mortgages at 2.28%.

On this occasion, let us also convey the performance of the Sharia Banking segment, which has succeeded in cementing its position as the largest UUS in Indonesia, with total financing of Rp55.2 trillion, an increase of 17.05% from the previous year, and a CASA achievement of Rp26.3 trillion, up 29.74% from the previous year.

As financial performance improved in 2023 with quite strong growth, more managed costs, and better asset quality, we were able to deliver a consolidated profit before tax of Rp8.4 trillion, up 27.02% from Rp6.58 trillion the previous year. Meanwhile, consolidated net profit reached IDR 6.5 trillion, up 28.4% from Rp5.0 trillion the previous year, resulting in a profit per share of Rp259.5 (full amount). According to target achievement, the Bank's consolidated net profit reached 7.51% of its predetermined target of Rp6.0 trillion.

Overall CIMB Niaga delivered encouraging performance as can be seen in some of the key financial indicators such as loan growth, NPL, KPMM, ROA and ROE that showed better figures than the predetermined targets for the year.



Supporting Business Review



Corporate Governance Report



Corporate Social Responsibility



Other Corporate Data



Consolidated Financial Report

OBSTACLES ENCOUNTERED AND ANTICIPATIONS MADE

In 2023, CIMB Niaga encountered numerous challenging obstacles. Since early this year, the Bank has been focused on the disruptions in the banking industry, the most difficult challenge we faced in 2023, which emerged amid uncertainty due to the global economic slowdown. One of the disruptions we encountered was an increase in BI benchmark rates, which reached a high of 6% in December 2023.

However, we remained optimistic as we navigated through 2023, delivering positive revenue results. Another source of optimism was the consistent growth in domestic household consumption.

We also implemented other strategies to address all the challenges that the year 2023 presented. CIMB Niaga consistently increased CASA as the foundation for managing cost of funds. Furthermore, we concentrated on distributing loans to the retail sector, such as mortgages and auto loans, while continuing to push for increased fee-based income through wealth management. We continued our efforts to improve asset quality, risk management, and capital control while striving for operational efficiency through automation and digitalization.

OTHER PERFORMANCE

ORGANIZATIONAL STRUCTURE

Organizational structure is critical to achieving corporate goals, as it allows a company to track business developments and changes. Continuous efforts to strengthen the organizational structure, as reflected in the Company Profile in this Annual Report, are made through the process of identifying and training successors. CIMB Niaga periodically evaluates its organizational structure to improve effectiveness and efficiency while ensuring the Bank's sustainability.

MAIN ACTIVITIES AND TYPES OF PRODUCTS AND SERVICES OFFERED

The Bank's core business or activity is to provide banking services by raising and distributing public funds and offering competitive interest rates on funds distributed as loans to customers. In carrying out these primary activities, CIMB Niaga provides a wide range of banking products and services, including financing for small and medium-sized business debtors, as described in the Company Profile chapter of the CIMB Niaga Products and Services section.

INTEREST RATES FOR FUNDING AND LOAN

The Prime Lending Rate (SBDK) indicates the credit interest rate charged by CIMB Niaga to its customers when they apply for a loan. CIMB Niaga considers several factors when determining prime lending rates, including the BI-Rate set by Bank Indonesia, the Cost of Funds for Credit (HPDK), operational expenses incurred for fundraising and credit distribution activities, the Bank's profit margin component in credit distribution activities, and banking industry competition.

The prime lending rate calculation does not include the debtor's risk premium, the amount of which is determined by each debtor's risk assessment. As a result, the credit interest rate charged to debtors does not always match the prime lending rate. CIMB Niaga deals with this by making a consistent effort to raise low-cost funds from customers.

The following table shows CIMB Niaga's interest rates for customer deposits and loans in Rupiah 2023:

Period	Prime Lending Rate based on Loan Segmentation				Interest Rate for Rupiah-denominated Deposits
	Loan		Consumer Loan		
	Corporate	Retail	Mortgage	Non Mortgage	
March	8.00%	8.75%	7.30%	8.50%	3.33%
June	8.00%	8.75%	7.30%	8.50%	3.44%
September	8.00%	8.75%	7.30%	8.50%	3.45%
December	8.00%	8.75%	7.30%	8.50%	3.36%

NUMBER, TYPE AND LOCATION OF OFFICES

To support business growth, CIMB Niaga improves customer experience by offering a comprehensive range of products and services through a network of 412 branch offices, 3,893 ATMs (including CRM and MDM), 544,056 Electronic Data Capture (EDC), Quick Response (QRIS), and E-commerce networks combined, and 12,060 employees (including subsidiaries) distributed throughout Indonesia. CIMB Niaga also continues to collaborate with business units and the CIMB Group to optimize its office network.

NETWORK AND BUSINESS PARTNERS

CIMB Niaga, Indonesia's second-largest national private bank, collaborates with various business partners both within and outside the country. This collaboration includes bancassurance products, wealth management, and others, leveraging the Bank's as well as its business partners' and customers' networks as target markets. CIMB Niaga also forms other partnerships to sustainably grow its business and improve performance.

OWNERSHIP OF THE BOARDS OF DIRECTORS AND COMMISSIONERS AND SHAREHOLDERS IN THE BANK BUSINESS GROUP

The Company Profile Chapter of this Annual Report contains information about the share ownership (direct and indirect) of the incumbent/appointed members of the Boards of Commissioners and Directors in the fiscal year 2023, for both CIMB Niaga and CIMB Group. None of the Bank's Board of Commissioners owns shares in subsidiaries.

IMPORTANT CHANGES OCCURRING IN BANK AND BANK BUSINESS GROUP

During 2023, there were no important changes that occurred in the Bank or the Bank Business Group.

BUSINESS PROSPECTS, ECONOMIC DEVELOPMENT, AND TARGET MARKET

Certain risks are expected to prolong global economic uncertainty in 2024, including geopolitical tensions likely to remain unsettled in some parts of the world, a potential economic setback in several countries, including China, and a potentially longer rate hike path and bond yields in most major economies. In its World Economic Outlook (WEO), published in January 2024, the International Monetary Fund (IMF) forecasts a 3.1% slower growth rate in 2024. This projection is 0.2% higher than the October 2023 forecast.

Domestically, Bank Indonesia projects that the domestic economy will remain resilient to global economic challenges. Fiscal 2024 will see an increase in both private and government spending and investment, expected to continue due to high public confidence, the positive effects of the year's general election, and the restart of the country's National Strategic Project (PSN) development. Given these positive trends, economic growth in 2024 is expected to be in the range of 4.7–5.5%.



Supporting Business Review



Corporate Governance Report



Corporate Social Responsibility



Other Corporate Data



Consolidated Financial Report

Bank Indonesia also forecasts that loan growth will increase to the range of 10% - 12% and further increase to 11% - 13% in 2025. The Deposit Insurance Corporation (LPS) predicts that Third Party Funds (DPK) growth will remain stable during the election year, albeit at a single digit in the range of 6% to 7%. The trend will present both challenges and opportunities for the banking industry's ability to grow and maintain liquidity.

As outlined in the Bank's Business Plan, we have developed strategic measures to address future challenges. Despite initial projections that growth would slow, we expect credit distribution to continue to expand, particularly in the corporate segment. As a result, we will continue to support our own and our debtors' businesses and expansions by assisting them in obtaining working capital, making investments, and gaining access to other banking services.

We will always support our loan disbursement with a thorough assessment to ensure regulatory compliance while also applying precautionary principles to both the Bank's existing and prospective debtors. We intend to target loan growth for 2024 at an achievable and realistic level that is consistent with national economic growth estimates.

The Board of Directors is committed to allocating all of the Bank's resources, allowing it to grow stronger in the future. In addition, to realize its vision and mission, we will implement a business strategy that is consistent with the CIMB Group strategy.

KEY ISSUES IN THE FUTURE

With strict adherence to the principle of prudence, we remain confident that we can continue to deliver performance growth while targeting profits in a realistic range in the future. We are reviewing the 5 Pillar Strategy execution to determine whether it is still relevant in today's ever-changing business environment, which includes market trends, regulatory changes, and other external factors. Such a review should allow the Bank to remain competitive and adapt to market changes.

As we look forward, we will continue to implement our business development strategies, which include collaboration with the digital ecosystem. We hope that through this collaboration, CIMB Niaga can continue to distribute credit through a channeling- or execution-based scheme. We believe that collaboration between digital ecosystems and banks is the best strategy because it allows both sectors to benefit from one another, reach out to new customers who are still unable to obtain banking loans, and increase financial inclusion.

SUSTAINABLE FINANCE INITIATIVES AND IMPLEMENTATION

CIMB Niaga promotes and remains committed to the implementation of sustainability and sustainable finance. The Bank has translated this commitment into a number of actions and initiatives aimed at creating a sustainable financing ecosystem. By the end of 2023, CIMB Niaga's sustainable financing portfolio had grown to Rp55.45 trillion, accounting for 26% of the bank's total loan portfolio.

The increase in CIMB Niaga's sustainable finance portfolio is consistent with CIMB Group's Green Social Sustainability Impact Product Services (GSSIPS) framework. According to the Indonesian Green Taxonomy (THI) reporting initiative launched by the OJK, the results of the THI identification and reporting for the position in December 2023 show that 18% of the top 450 debtors fell into the green or yellow category based on their debit balance.

This sustainable finance portfolio growth is consistent with global sustainability commitments. Through the "Net Zero Strategy & Climate Risk Management Project," CIMB Group and CIMB Niaga set climate targets for palm oil and power financing portfolios in 2023 that are consistent with global scenarios such as the Science-Based Target Initiative (SBTi) and the International Energy Agency Net Zero Emission (IEA NZE) 2050. The climate targets set by the CIMB Group and CIMB Niaga are to reduce Green House Gas (GHG) emissions in the palm oil sector by 16% and in the power sector by 38% by 2030. Customers will be involved in a shift in production toward sustainable palm oil, as well as a greater emphasis on low-carbon and renewable alternative energy sources, to help them accelerate their decarbonization efforts.



Performance Highlights



Management Reports



Company Profile



Management Discussion and Analysis



Risk Management

Furthermore, in 2023, CIMB Niaga established a Climate Risk unit within the risk management directorate, tasked with creating and implementing a climate risk management framework, as well as incorporating climate risk aspects into the Enterprise Wide Risk Management Framework. CIMB Niaga went even further to follow OJK policy direction by developing a climate scenario analysis methodology or climate risk stress test that can be used to measure and evaluate how the magnitude of climate risk affects the Bank and its relationship to other types of risk, such as bank capital and liquidity conditions.

Another strategy we are implementing going forward is how to encourage customers to improve their sustainability performance while minimizing negative environmental impacts. In 2023, CIMB Niaga broadened the scope of its Sustainability Due Diligence (SDD) in the Commercial Banking segment by adding two sectors: forestry and natural rubber, and oil and natural gas. We recently released a Manufacturing Sector Guide to supplement six other sector guides, including Coal, Forestry & Natural Rubber, Palm Oil, Construction & Infrastructure Services, Oil & Gas, and Mining & Quarrying. The Sector Guide outlines prohibitions, minimum sustainability requirements, and recommendations for best sustainability practices for the Bank to follow when providing financing to customers.

Within the scope of operational performance, CIMB Niaga went beyond implementing various energy efficiency initiatives that were initiated several years ago, as we carried out new initiatives such as installing solar panels on the Bank's office building, implementing Internal Carbon Pricing (ICP), rejuvenating air conditioning, using renewable energy by purchasing Renewable Energy Certificates, and taking other actions. In 2023, CIMB Niaga expanded its vendor selection criteria to include sustainability and climate change considerations. CIMB Niaga was named the first company in Indonesia to purchase carbon units on 26 September 2023, at the Indonesian Carbon Exchange's (IDXCarbon) inauguration.

In an effort to engage stakeholders on sustainability issues, CIMB Group hosted the annual event, The Cooler Earth Sustainability Summit ("TCE"). With the theme "Sustainability in Action: Opportunities for a Better Tomorrow in Indonesia," TCE 2023 in Jakarta was attended by more than 3,900 participants, both in person and virtually. The event was attended by the Republic of Indonesia's Deputy Minister of Finance, who was invited as an honorary speaker, as well as the Indonesian Coordinating Minister for Maritime and Investment Affairs, who delivered the closing speech. To have a more direct impact on communities in need at the grassroots level, CIMB Niaga also held Employee Volunteer Hours, with each employee contributing an average of 5.09 hours.

Going forward, CIMB Niaga will continue to play an active role in the sustainability ecosystem, with a stronger emphasis on collaboration, transformation, and a just transition, particularly to support the achievement of a low-carbon economy, Indonesia's Enhanced Nationally Determined Contribution (ENDC), and the Sustainable Development Goals (TPB). In the spirit of #SekarangUntukMasaDepan, CIMB Niaga encourages other stakeholders to shift Indonesia's growth trajectory toward sustainability.

HUMAN RESOURCE DEVELOPMENT

We execute an HR strategic plan that focuses on five pillars: Strategic Talent Acquisition and being a Talent Magnet, Cultivating Talent & Leadership Brand, Future-Proofing Organization, High Performing Organization linkage to Performance and Contribution-Based Rewards, and Operational Excellence for a Seamless Employee Experience. The strategy execution helps the Bank face challenges in the increasingly tight banking industry competition.

The current era, in which technology is advancing at a breakneck speed, is distinguished by the presence of Gen AI, which means that banks must be adaptable and responsive by providing employees with digital and data capabilities and skills. In 2023, CIMB Niaga maintained adequate capacity and increased capabilities to support business needs in the Society 5.0 era by encouraging all employees to acquire digital and data knowledge and skills through participation in a series of digital training programs.



Supporting Business Review



Corporate Governance Report



Corporate Social Responsibility



Other Corporate Data



Consolidated Financial Report

Aside from that, CIMB Niaga continues to develop digital-based learning through the use of Virtual Reality (VR), a technology that has earned CIMB Niaga recognition from the Indonesia Stock Exchange (IDX) as a bank that made AI innovations in the use of VR technology as a learning method, as well as developing the online mobile application "Learning on the Go" (LOG).

Furthermore, CIMB Niaga believes that the strong culture that has been firmly embedded in its corporate values (EPICC) plays an important role in providing guidance for daily employee behavior at work. That is why we have continued to communicate EPICC values internally to raise awareness and understanding of the values through a variety of programs and initiatives. These include the introduction of EPICC through bite-size campaigns, inspirational stories (EPICC Stories), EPICC videos, competitions and quizzes, EPICC Town Hall, and the EPICC Podcast, as well as the establishment and activation of EPICC Ambassadors as internal influencers. CIMB Niaga also recognizes the need to develop diversity and inclusion initiatives based on EPICC values using a structured framework and a series of programs that will ultimately improve the organization's health.

CIMB Niaga is also consistently cultivating a risk culture based on EPICC values through various efforts to increase employee awareness and understanding of risk culture through a dedicated series of outreach programs covering topics such as anti-fraud, operational risk and litigation, code of ethics and code of behavior, and know your employee (KYE). The Bank also incorporates risk culture and governance practices into its internal policies, Key Performance Indicators, risk reporting related to HR and organization, and periodic employee attestation. The Bank is making all of these efforts to avoid various potential risks that could prevent it from delivering optimal and sustainable business performance.

Efforts to improve the quality of the employee experience at all stages of their lifecycle, employee engagement, and employee wellbeing continue through a variety of initiatives, including the development of an integrated need-based HR service system, flexible benefit

programs, the provision of the CIMB Niaga Olympic, in which employees from every directorate representative participated enthusiastically, and many other initiatives. We continue to evaluate the effectiveness of CIMB Niaga's institutionalized hybrid work (Hywork) model, which allows employees to work in the office or from home depending on the nature of their jobs.

CIMB Niaga received numerous recognitions and awards from reputable institutions at the local and regional levels in 2023 as a result of its human resource practices. In terms of the Organizational Health Index (OHI), in its third year of implementation, CIMB Niaga was named among the Top 10% (Top Decile) of financial institutions in Southeast Asia.

OPTIMIZATION OF INFORMATION TECHNOLOGY

We constantly implement new initiatives to optimize Information Technology (IT) to provide speed, accuracy, comfort, and security to all customers during transactions. CIMB Niaga's IT Sub-Directorate focuses heavily on developing internal Bank application software oriented toward customer service with strong and innovative controls in 2023, while also building HR capabilities and knowledge in accordance with digital business needs.

CIMB Niaga also continued to develop software systems for automatable processes, which will help in the systematic and effective monitoring of each operational unit's workflow. In dealing with the most recent developments in data security, we continued to strengthen Cyber Security's capability and capacity, made more proactive efforts to improve IT security by anticipating virus and malware threats, and mitigated digital risks through constant updates on the incident management platform. We also continued to automate security testing on applications. We went even further by recently implementing end-to-end monitoring tools for IT operations in an effort to increase visibility on all applications and support infrastructure as a proactive analysis to prevent downtime and IT incidents with an early detection system.

IMPLEMENTATION OF BANK GOVERNANCE

We are convinced that the Bank's success in meeting performance targets in 2023 was largely due to its unwavering commitment to improving governance practices, or Good Corporate Governance (GCG), within the Bank in a sustainable manner. The commitment has resulted in ongoing improvements in governance practices in accordance with regulatory provisions and best governance practices, both nationally and internationally.

As part of GCG practice, we have implemented internal control and risk management systems following the EWRM (Enterprise-Wide Risk Management) framework. The EWRM framework has been referred to and is in line with the scope of risk management established by the Financial Services Authority (OJK), which includes (i) active oversight of the Board of Commissioners and Directors (including the Sharia Supervisory Board); (ii) adequate policies, procedures, and limit determination; (iii) the adequacy of risk identification, measurement, monitoring, and control processes, as well as a risk management information system; and (iv) a comprehensive internal control system.

To support the implementation of GCG, CIMB Niaga has and implements an Anti-Bribery and Corruption Policy and an Anti-Bribery Management System Policy, as well as other related policies that have been refined to support the implementation of anti-bribery and corruption measures. Furthermore, in order to support the implementation of anti-bribery and corruption, the Bank has initiated other initiatives, including the signing of the Integrity Pact, Anti-Bribery and Corruption Commitment, and Code of Ethics by all members of the Boards of Commissioners and Directors and Sharia Supervisory Board in May 2023, followed by attestation by all employees, an annual review of the Anti-Bribery Management System, and obtaining ISO 37001:2016 Certification for the Anti-Bribery Management System.

Each fiscal year, we conduct GCG assessments using the self-assessment method in collaboration with third parties to obtain more independent assessment results. In the self-assessment conducted every semester, CIMB Niaga consistently receives a score of 2 (two), which is under the "good" rating.

With a full commitment to implementing GCG within the Bank, in 2023, CIMB Niaga made further improvements and delivered higher GCG achievements than in previous years, including:

1. Leadership in Corporate Governance at the 14th IICD Corporate Governance Award 2023.
2. The Greatest Champion of GRC Performance Excellence 2023 & The Best GRC For IT/Digital Transformation at the GRC & Performance Excellence Award 2023, apart from that, Fransiska Oei was also named The Best GRC Women Leader 2023.
3. Platinum Star Trophy as the winner of the 5-star title for 5 consecutive years, and Lani Darmawan was named The Most Committed GRC Leader 2023 at the 2023 TOP GRC Awards.
4. Grand Champion of the 2022 Annual Report Award (ARA).

ASSESSMENT OF THE BOARD OF DIRECTORS SUPPORTING COMMITTEES

In fulfilling its management duties and responsibilities, the Board of Directors is assisted by four Executive Committees (EXCO): the Risk Management Committee (RMC), the Assets & Liability Committee (ALCO), the IT Steering Committee (ITSC), and the Credit Policy Committee (CPC). The Board of Directors is also assisted by several Special Committees (SPECO) led by each Division Director according to the Bank's needs.

We would like to assess how well our supporting committees fulfilled their respective duties and responsibilities in 2023. We base our assessment on several measurements, including the number of meetings held, the Service Level Agreement (SLA), meeting minutes, Action Matters Arising, and the distribution of meeting invitations. We also use our attendance at committee meetings, including decisions and recommendations made during those meetings, as assessment references.

We also saw and cited positively the key achievements made by the entire Executive Committee in 2023. This is how the ALCO Committee continued to carry out initiatives to accelerate loans for sectors and products that had proven to be resilient in the post-pandemic era, as well as making adjustments to the internal fund transfer model pricing to ensure that pricing signaling is transmitted to all Bank business units and remains relevant to changes in market interest rates. We also saw that the ALCO Committee had done an excellent job of ensuring that the Bank's liquidity level remained optimal and that the Sharia business unit had access to stable and diverse funding sources.



The CPC Committee had approved credit policy updates and changes in response to external regulatory changes (from regulators or the government) and internal Bank bylaws, which were also adjusted to reflect the Bank's risk appetite. These policy adjustments and changes include one made to Sharia Banking.

The ITSC Committee has established key IT standards and procedures, as well as routine monitoring of progress on IT projects for the fiscal year 2023. The ITSC Committee has also made recommendations for a Cybersecurity Strategic Plan to monitor cybersecurity threats to the Bank's systems.

Finally, the RMC Committee carried out its tasks effectively, including reviewing RAS indicators in light of their relevance to business characteristics and risks faced, determining portfolio limits and risk appetite for products that follow market developments such as KPR, channeling financing through Fintech, and others. Drawing on the post-pandemic economic trend, the RMC Committee adjusted the Bank's risk appetite for exposures to specific industrial sectors and securities portfolios.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

During 2023, CIMB Niaga did not make any changes to the composition of its Board of Directors.

APPRECIATION AND CLOSING

On behalf of the entire Board of Directors, we would like to express our heartfelt gratitude and appreciation to all CIMB Niaga employees for their invaluable contributions that helped the Bank achieve outstanding performance. We should also remember to acknowledge and appreciate the Board of Commissioners for their valuable advice, input, and suggestions to the Board of Directors in 2023.

Our gratitude also extends to our loyal customers, who have chosen CIMB Niaga as their bank of choice as they strive to grow their businesses and realize their dreams. We will continue to drive digital transformation initiatives, improve digital channels, and introduce innovative solutions to enhance customer experience and convenience.

To our shareholders, business partners, and other stakeholders, we sincerely hope that we can maintain the trust you have placed in us and establish the best possible cooperation as the Bank moves forward with sustainable business growth.

5 March 2024

Lani Darmawan

President Director