

REPORT OF THE BOARD OF COMMISSIONERS

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Dear Shareholders and Stakeholders,

Throughout 2020, the Board of Commissioners continues to carry out the functions and duties of supervision over the Board of Directors, including in monitoring the management’s execution of the Bank’s Business Plan (RBB) and 2019-2023 Sustainable Finance Action Plan (RAKB). In addition, we also provided oversight on the implementation of the Bank’s strategy, primarily on the aspects of loans, profitability, use of information technology, human resources development, good corporate governance, as well as the adoption of sustainable finance.

As we are all aware, the year 2020 has been a challenging year. The spread of the Corona Virus Disease 2019 (COVID-19) has adversely affected economic growth

globally and at the time of writing of this report, COVID-19 has infected more than a hundred million people resulting in over two million death worldwide. This pandemic has forced many countries to enforce travel and mobility restrictions resulting in a sharp decline of global business activity.

During this crisis, CIMB Niaga’s management took certain initiatives to mitigate the impact of COVID-19 on the Bank including in implementing necessary procedures to stop the spread of COVID-19 within the Bank and in ensuring the safety of its staff. At the same time, the Bank continues to support its customers, clients and communities during this difficult year.



In response to this pandemic, governments around the world have extended fiscal and monetary stimulus to support their respective economies. The unprecedented government actions together with the introduction of COVID-19 vaccines at the end of the year have given renewed optimism and hope that going forward we would see economic growth again. By the end of 2020, economic conditions in both developed and developing countries have improved resulting in higher global trade volume and commodity prices as well as a recovery in the global financial markets. We expect that the increased risk appetite in the global financial markets would result in an increase in capital inflow to developing economies including Indonesia.

The domestic economy contracted by 2.07% in 2020, but is estimated to recover in 2021. Several economic indicators on consumer and business demands have shown improvements since the third quarter of 2020. The Consumer Confidence Index rose to 96.5 in December 2020 from their lowest level of 77.8 in May 2020. In the business sector, the Manufacture Index (PMI) rose to 51.3 in December 2020 from their lowest level of 27.5 in April 2020. The Indonesian economy also benefitted from a relatively stable exchange rate and inflation rate.

Going forward, the success of the COVID-19 vaccination program, along with growing consumer demand and increasing business activities should drive economic recovery. This recovery will also be supported by a number of policies aimed at the productive sectors including bank's loans disbursement in response to rising demand and accelerated digitalization of finance, especially relating to the development of SMEs.

In the banking sector, the COVID-19 pandemic caused a decline in loan growth by 2.41% in 2020. However, customer deposits increased by 11.11%. This had resulted

in an increase of banking liquidity with Loan-to-Deposit (LDR) Ratio that declined to a level of 82.24% at the end of 2020 compare to 93.64% at the end of 2019. Throughout 2020, Bank Indonesia implemented an accommodative monetary policy reducing the benchmark interest rate of the BI 7-day Reverse Repo Rate (BI7DRR) by 125 basis points from 5.00% to 3.75% during the year. The high liquidity and lower BI7DRR environment has contributed to the decline of weighted average interest rates on deposits, working capital loans, and investment loans to 4.53%, 9.15% dan 8.88%, respectively, by the end of 2020. Bank Indonesia is expected to continue with its accommodative monetary policy in 2021 to support the recovery of the banking sector and the national economy. This is shown by the additional 25 basis point cut on 18 February 2021.

ASSESSMENT ON THE PERFORMANCE OF THE BOARD OF DIRECTORS IN MANAGING THE BANK

The COVID-19 pandemic has exerted pressures on many industries and faced with this condition, the Board of Commissioners is committed to overcome the challenge by working closely together with the Bank's management. Our priority is to minimize the adverse impact of the pandemic on our customers and clients by providing additional liquidity support and assistance program and thereby contributing to the recovery of businesses generally.

Amidst the challenging economic conditions, CIMB Niaga was able to maintain its position as the second largest private sector bank in Indonesia by assets, with total assets reaching Rp280.9 trillion at the end of 2020. Total consolidated net profit for the year 2020 amounted to Rp 2.0 trillion, resulting in an earnings per share of Rp80.72. CIMB Niaga also succeeded in generating third-party fund of Rp207.5 trillion, with a CASA ratio of 59.62%



by the end of 2020. Our current account and savings account rose by 14.14% and 14.41%, respectively. Given the difficult environment, the Board of Commissioners considers that the Board of Directors has performed well in the management and administration of the Bank throughout 2020.

In addition to the above, in line with the Bank's commitment to developing its digital services to enhance the customer experience, CIMB Niaga was able to book loans of Rp 174.8 trillion, mainly contributed by Consumer Banking which grew 1.69%, consisting of mortgage and auto loans which increased by 5.92% and 4.44% respectively.

In carrying out our oversight duties, we continue provide direction, advice, and recommendations to the Board of Directors with respect to the management and administration of the Bank, a particular focus in maintaining strong liquidity, good assets quality, and proper cost control. Moreover, we also provided inputs with regards to anticipating future economic challenges and the importance of adhering to the banking prudential principles in disbursing loans to ensure strong capital position and adequate provision for the Bank.

OVERSIGHT ON THE FORMULATION AND IMPLEMENTATION OF THE STRATEGIES AND POLICIES OF THE BANK

CIMB Niaga's Strategic Plan supports and reflects the aspirations of CIMB Group's recalibrated Forward23+ Strategic Plan which sets out a clear purpose to build a high performing sustainable organization to help advance customers and society. This drives our vision to be the leading focused ASEAN bank. As such we will continue to accelerate growth in the Consumer and Small Medium Enterprise (SME) segments whilst strengthening our position in the Corporate and Commercial segments. We will grow CASA and relentlessly pursue cost reduction and capital preservation.

Risk management remains a vital pillar supporting our decision-making processes. Investments will continue to be made to boost technology resilience, accelerate digital and analytics adoption and transform customer journeys for better experience.

CIMB Niaga team will be guided by the values that make us a high performing organization.

We believe that Forward23+ puts us in the right position to realise our full potential whilst navigating the challenging market environment.

The Board of Commissioners continuously review and monitor the formulation and implementation of the Bank's strategy and policy, primarily focusing on the formulation and oversight of the RBB, and the monitoring of the Bank's quarterly results. Pursuant to the OJK Regulations No. 5/POJK.03/2016 on the RBB, the Board of Commissioners is mandated to oversee the execution of RBB that includes, among others, the policies and strategies of Management. The result of this supervision is presented in the Report on Oversight of the Execution of RBB, submitted to OJK every semester.

We review and approve revision to the RBB focusing on providing oversight on the execution of the Bank's 5 pillar strategy, namely 1) playing at our strengths, 2) expanding CASA franchise, 3) discipline in cost management, 4) preservation of capital and balanced risk culture, and 5) leverage information technology. The Board of Commissioners considers that the Board of Directors has appropriately executed these 5 pillar strategy and has been able to incorporate external banking business challenges in its implementation of the Bank's policies and strategy.



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Assisted by the Committees, the Board of Commissioners also evaluated other key areas and provides our reports and recommendations to the Board of Directors. We will continue to remind the Board of Directors to uphold the banking prudential principles while striving to achieve the Bank's growth targets.

OPINION ON THE BUSINESS PROSPECT OF THE BANK AS FORMULATED BY THE BOARD OF DIRECTORS

With respect to the business prospects that have been prepared by the Board of Directors and presented in the RBB, the Board of Commissioners is of the opinion that they have generally been well formulated and are in line with the direction and objectives of the Bank. The business prospects have appropriately considered the external and internal conditions of the Bank. Although growth has not fully recovered from the impact of COVID-19 pandemic, we remain optimistic that the economy will recovery and resume its growth trajectory. This is supported by the introduction of the COVID-19 vaccine and the discipline in complying with health protocols therefore allowing an increase in mobility and business activity.

The introduction of the COVID-19 vaccine has given rise to the expectation of a global economic recovery and an increase in risk appetite in the global financial markets resulting in capital inflows to emerging markets including Indonesia. Moreover, with the accommodative monetary and macroprudential policies of Bank Indonesia, liquidity is expected to remain high, and combined with the low interest rate environment, this should provide support for economic and business growth.

The financial system has been strong in the face of pandemic and is expected to show continuing resiliency. In looking ahead, banking credit is should return to its normal growth in line with the economic recovery.

The Board of Commissioners is confident that the Board of Directors will be able to capitalize on the various opportunities of the banking industry. The Board of

Commissioners believes that CIMB Niaga has great potential to continue its growth in the banking and financial services sector. This belief is grounded upon a number of factors including the realistic targets that have been set by the Board of Directors which are fully in line with the expectation of shareholders. The Bank targets a 3%-5% loans growth in 2021 supported by growth in third-party funds of 3%-5% and CASA ratio of 59%-63%.

The assessment of the Board of Commissioners on the business prospects that have been prepared by the Board of Directors is also based on the strength of CIMB Niaga including its strong capital and liquidity position. With our financial and non-financial strengths, the Board of Commissioners is of the opinion that the Board of Directors has devised a reasonably prospective business plan. Nevertheless, the Board of Commissioners also reminds the Board of Directors to continue to be vigilant and mitigate any risks that may arise from external factors, especially from the continuing challenges arising from the COVID-19 pandemic.

INITIATIVES ON SUSTAINABILITY FINANCE

CIMB Niaga has formulated the Sustainable Finance Action Plan (RAKB) as a manifestation of the Bank's commitments to sustainable finance initiatives. This allows the Bank to contribute to the sustainable development goals while achieving a low-carbon economy by integrating the aspects of environment, social and governance (ESG) in our business activities. The implementation of sustainable finance at the Bank is pursuant to OJK Regulation No.51/POJK.03/2017 on the Implementation of Sustainable Finance by Financial Services Institutions, Issuers, and Public Listed Companies; OJK Regulation No. 60/POJK.04/2017 on the Issuance and Terms of Green Bonds; President RI Regulation No. 59 of 2017 on the Implementation to Realize the Sustainable Development Goals; and the sustainability strategy of the CIMB Group. The sustainability strategy of CIMB Niaga is also aimed at realizing its Sustainable Finance vision to be the leading ASEAN company that embraces the harmony of economic, social and environmental aspects with the mission to conduct sustainable business activities that results in continuous and integrated growth.



The Board of Commissioners has observed that the implementation of sustainable finance at CIMB Niaga continues to improve. In 2020, the Bank has applied the policies and procedures of sustainable finance to financing activities in the corporate banking segment, issued high sustainability risk list, and carried out training programs on a continuous basis. At the end of 2020, the Bank entered a new chapter in the implementation of sustainable finance by issuing sector guide for financing to the palm oil plantation. This guideline testifies to our support for the low-carbon economy. Not to be outdone, the Sharia Business Unit (SBU) of CIMB Niaga also launched the Abhipraya project to accelerate the development of sustainable finance products and services as well as increase sustainable finance portfolios of CIMB Niaga. The Board of Commissioners will continue to oversee the Bank's initiatives on sustainable finance.

HUMAN RESOURCES

CIMB Niaga has been effective in developing its people in 2020. The Board of Commissioners considers that the Bank's human resources focus on capability sourcing, capability building, high performance organization and HR digitalization has been able to overcome current challenges faced by the organization.

The spread of COVID-19 has resulted in a major change in the ways our people work and learn. We have seen the increasing use of technology in day-to-day tasks during the pandemic and this shift in greater technological use has been effectively adopted during the year, one of example of this is the adoption of new method of learning through online learning and e-learning, from previously in-class learning sessions. The areas of focus for the e-learning training programs in 2020 are on the Mandatory Certification Program, Development Program, Acceleration Program, 3D (Digital, Data Design) Program, Sales & Credit Program (including restructuring program), and Learning on the Go (LoG).

Looking ahead, we believe that the challenges faced by the Bank will be more complex, especially as a result of the disruptive innovation currently experienced in various industries including banking. Human Resources department (HR) is at the forefront in facing these challenges. As such, the Board of Commissioners is fully behind the efforts of the Board of Directors in utilizing HR to support business growth with the focus and strategy of embracing the new way of working, including flexible working hours, digitalization of the HR information system, employee service automation, enhancement of HR data analytics, development of 3D capabilities for internal talents and recruitment of the best talents in the market.

INFORMATION TECHNOLOGY

The Board of Commissioners have an opinion that during 2020 the Board of Directors has implemented Information Technology development and management strategy, in a proper and effective manner. Amid the COVID-19 pandemic, CIMB Niaga was able to optimize the use of technology as part of the efforts to mitigate the impact of COVID-19 on its banking operations. At the same time, the Bank was able to provide technology-based banking services that exceeded both expectation standards and customer needs.

In 2020, CIMB Niaga also developed and utilized the digital banking services on a broad scale by emphasizing on Application Program Interface (API) that enabled interaction between a third party and our banking services. CIMB Niaga concentrated its banking service through branchless banking, customer experience and sales processes via digital delivery channels, as well as enhancement of our mobile banking system capabilities. Going forward, we expect the Bank to adopt technological advances that are suitable for Bank's business and able to support service qualities that are effective, efficient, reliable and safe.



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OBSERVATION ON IMPLEMENTATION OF BANK GOVERNANCE

In the views of the Board of Commissioners, the implementation of Good Corporate Governance (GCG) at CIMB Niaga in 2020 was exemplary. The four aspects of governance, namely governance commitment, governance structure, governance process and governance outcomes were implemented and manifested clearly to the customers, employees, public and other stakeholders.

We also observed that the Board of Directors had elevated the quality of GCG implementation effectively and continuously on the basis of standards imposed by the Regulator and other international standards. As a result of these efforts, we are pleased that, in 2020, CIMB Niaga received a third-party recognition in the form of an award for being the Top 3 Indonesia and ASEAN Asset Class category from the ASEAN Capital Markets Forum for our consistency in applying the highest standard of GCG (beyond compliance).

In applying risk management, in 2020 CIMB Niaga implemented risk management processes in the framework of Enterprise Wide Risk Management (EWRM) that covers the identification process of risks that are considered significant in the banking business. EWRM has substantial bearings on mitigating the potential or impact of various risks faced by the Bank through the formulation of the Bank's risk appetite and risk tolerance on each type of risk, as well as on the development of policies and procedures of risk management that are suited for maintaining risk level at set limits. Furthermore, CIMB Niaga has also deployed the internal control system that relies on the Three Lines of Defense concept, which constitutes the latest implementation in the strategy of the internal control system of COSO – Internal Control Framework.

Overall, we see that CIMB Niaga has implemented effective governance to protect the rights of shareholders, ensure fair treatment of all shareholders, involve the roles of stakeholders, disseminate information comprehensively, accurately and timely, as well as discharge the duties of the Board of Commissioners and the Board of Directors responsibly.

THE FREQUENCY AND METHOD OF ADVISING THE BOARD OF DIRECTORS

Advice from the Board of Commissioners to the Board of Directors is conveyed formally through meetings and as well as informally during working visits by the Board of Commissioners and its various Committees. Formal meetings comprise of meetings of the Board of Commissioners; meetings with the Committees under the Board of Commissioners; and joint meetings between the Board of Commissioners and the Board of Directors.

Throughout 2020, the Board of Commissioners convened a total of 8 (eight) Board of Commissioners meetings and 4 (four) joint meetings with the Board of Directors. In these meetings, the Board of Commissioners discussed a number of issues, which among others included the report on follow up of the minutes of meetings of the Board of Commissioners; the Bank's financial statements; and report of the Committees under the Board of Commissioners.

The Board of Commissioners considers the inputs of its Committees when providing advice and recommendation to the Board of Directors. Our Committees have actively carried out oversights on their respective areas of responsibilities.

OBSERVATION ON THE IMPLEMENTATION OF WHISTLEBLOWING SYSTEM

CIMB Niaga has and implements a policy on Whistleblowing System to provide an outlet for every employee of the Bank and or external parties to submit a report on alleged breaches over the principles of Corporate Governance, code of ethics, and prevailing policies and procedures of the Bank, based on evidence/ data/information that can be substantiated and with good faith in the interest of the Bank.

The Bank has appointed a third party to manage the whistleblowing reports in order to provide safe assurances to the employees and other stakeholders to have the courage to report fraudulent activities or indications of frauds. The types of frauds reported are corruption, scam, theft, embezzlement and forgery. The whistleblowing system (WBS) can also be used to report non-fraud misdemeanors such as breaches of Code of Ethics and Conduct.



The Board of Commissioners considers the appointment of a third party to manage the whistleblowing reports as the right policy in order to ensure the independency and professionalism of the system whereby the whistleblower can be assured that there will be no conflict of interest in the resolution of complaints, and that over the long-term, it will increase the trust from stakeholders on the management of the Bank's whistleblowing system. The role of the Board of Commissioners in the management of the whistleblowing system is among others to ensure that every report is properly followed up. All alleged misdemeanors that will have been proven right following the investigation will receive sanctions in accordance with the prevailing rules.

ASSESSMENT OF THE PERFORMANCE OF COMMITTEES UNDER THE BOARD OF COMMISSIONERS

In discharging its duties and responsibilities, the Board of Commissioners is assisted by the Audit Committee, Nomination and Remuneration Committee, Risk Oversight Committee and Integrated Governance Committee. The Board of Commissioners considers that these committees have performed their duties and responsibilities well in 2020 in supporting the oversight function of the Board of Commissioners. The committees have provided their inputs and recommendations to the Board of Commissioners in line with their respective areas of responsibilities. The basis for performance assessment of these committees includes, among others, the collective performance of the committees, individual performance of committee members and chairman of the committee. The assessments cover the structure of the committees, effectiveness of meetings, and effectiveness in the execution of their duties and responsibilities in 2020.

The Audit Committee is responsible for assisting and facilitating the Board of Commissioners in carrying out its duties and oversight function on issues related to the quality of financial information, internal control, effectiveness of internal and external audits, effectiveness of risk management and compliance to prevailing laws and regulations. Throughout 2020, the Audit Committee has performed its duties and responsibilities well.

The Nomination and Remuneration Committee is responsible to assist the Board of Commissioners in carrying out its duties and oversight function on issues related to the nomination of and remuneration for members of the Board of Directors and Board of Commissioners. Throughout 2020, the Nomination and Remuneration Committee has performed its duties and responsibilities well.

The Risk Oversight Committee is responsible for assisting the Board of Commissioners in carrying out its duties and oversight function and in advising the Board of Directors to obtain reasonable assurances that the implementation of risk management by the Bank has sufficiently met the procedures and methodologies of risk management, as such the business of the Bank is always controlled within the Bank's risk tolerance and profitability objectives. Throughout 2020, the Risk Oversight Committee has performed its duties and responsibilities well.

The Integrated Governance Committee is responsible to assist the Board of Commissioners in carrying out its duties and oversight function on the implementation of Governance in the respective Financial Institutions within the CIMB Indonesia Financial Conglomerate, to be in line with the Guidelines on Integrated Governance. Throughout 2020, the Integrated Governance Committee has performed its duties and responsibilities well.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility (CSR) programs of CIMB Niaga constitute the Bank's commitments to develop sustainable economic by incorporating social and environmental aspects into the Bank's business. The Board of Commissioners is aware that success in business does not merely depend on operational and managerial excellence alone, but also the support of communities in which the Bank operates.



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In the views of the Board of Commissioners, in over six decades of operations, CIMB Niaga has had the moral duties to develop businesses and advance the national economy sustainably by constantly serving our customers and other stakeholders with integrity, complying with all prevailing laws and regulations and uphold good business ethics. To this end, we fully support the CSR programs and activities of the Bank that focuses of four key aspects, namely education, development and empowerment of communities, philanthropy, and environment. Our CSR focus on these four aspects is aligned with the vision and mission of Sustainable Finance of the Bank.

CHANGES IN THE COMPOSITION OF THE BOARD OF COMMISSIONERS

There was a change in the composition of the Board of Commissioners in 2020. This change was implemented with the aim of enhancing the implementation of Good Corporate Governance, especially with respect to increasing the diversity of board members in terms of background of expertise/experience, nationality, gender and age. Moreover, the addition of new members of the Board of Commissioners with expertise and credibility should strengthen the performance of the Board of Commissioners.

The Annual General Meeting of Shareholders (AGM) on 9 April 2020 approved the changes to the composition of the Board of Commissioners of CIMB Niaga, with the appointments of Didi Syafruddin Yahya as President Commissioner effective 7 July 2020, and Glenn Muhammad Surya Yusuf as Vice President Commissioner (Independent) effective 16 September 2020. Furthermore, the Extraordinary General Meeting of Shareholders (EGM) on 25 September 2020 has approved the appointment of Dato' Abdul Rahman Ahmad as Commissioner effective upon the approval of OJK (in the process of fit and proper test).

On 9 March 2020, CIMB Niaga received the resignation notice of Tengku Dato' Sri Zafrul Tengku Abdul Aziz from his post as President Commissioner of the Bank, due to his appointment as the Finance Minister of Malaysia. His resignation was approved in the AGM of the Bank on 9 April 2020. The Board of Commissioners thanks Tengku Dato' Sri Zafrul for his guidance, contribution and service as President Commissioner of CIMB Niaga and wishes him well in his important appointment.

As at the preparation of this Annual Report, members of the Board of Commissioners of CIMB Niaga are as follows:

Didi Syafruddin Yahya	: President Commissioner
Glenn Muhammad Surya Yusuf	: Vice President Commissioner (Independent)
Jeffrey Kairupan	: Independent Commissioner*
Sri Widowati	: Independent Commissioner
Dato' Abdul Rahman Ahmad	: Commissioner**
David Richard Thomas	: Commissioner

*¹⁾ Appointed as Senior Independent Commissioner of the Bank through the Circular Resolution of the Board of Commissioners of CIMB Niaga No.014/DEKOM/KP/VI/2019 of 28 June 2019.

**²⁾ Effective upon obtaining OJK approval and/or fulfilled the requirements as determined in the OJK approval.

The Board of Commissioners expresses its gratitude and highest appreciation to Mr. Zulkifli M. Ali and Pri Notowidigdo, whose tenures expires at the AGM of 9 April 2020 for their contributions and dedication as a member of the Board of Commissioners, enabling the Bank to grow into being the second largest private bank in Indonesia. The Board of Commissioners would like to welcome the new members of the Board of Commissioners and wish them well in their new assignments. With the new composition, the Board of Commissioners will strengthen its oversight duties and contribute towards the sustainable growth of CIMB Niaga.

A CLOSING WORD OF APPRECIATION

The Board of Commissioners is optimistic that CIMB Niaga will be able to improve its performance through tireless efforts and consistent adherence to principles of GCG. We implore to all executive management and employee of the Bank to work together in synergy with and among all stakeholders, to successfully deliver service from the heart that exceeds the expectations of all of our customers.

On behalf of the Board of Commissioners, we express our heartfelt gratitude to the Board of Directors, the executive management and all #teamCIMB for their tireless efforts throughout 2020 in the face of extraordinary challenges. To all business partners and other stakeholders, we also express our highest appreciation for the excellent cooperation that we have forged throughout the financial year 2020. We hope that our excellent collaboration will continue in the years ahead. The Board of Commissioners believes that CIMB Niaga has great potential to continue its growth and evolutions in the banking industry in the future.

10 March 2021



DIDI SYAFRUDDIN YAHYA
President Commissioner