

# REPORT OF THE BOARD OF COMMISSIONERS



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Dear Shareholders and Stakeholders,

In 2019, the Board of Commissioners conducted supervisory functions and duties as well as provided advice on all strategic decisions undertaken by the Board of Directors in managing the Company's business with full responsibility, as mandated in the Company's Articles of Association and applicable laws and regulations. In carrying out its duties, the Board of Commissioners also ensured that the Bank conducted its operational activities in line with the business plans, and that they were in compliance with all applicable laws and regulations.

The Board of Commissioners always ensures that the Bank is being managed professionally, in accordance with the interests of shareholders and other stakeholders. In carrying out this role, the Board of Commissioners maintains its objectivity and independence. The Board of Commissioners is not involved in making operational decisions for the Bank, except those that are regulated and stipulated in the Company's Articles of Association and laws and regulations.

Through this report, the Board of Commissioners will report on the Board of Directors' performance, its supervision of the strategies' implementation, its views on the business prospects prepared by the Board of Directors, and the implementation of good corporate governance.



## MACROECONOMIC CONDITIONS 2019

The global economic environment, which was expected to rebound in 2019, continued to face further challenges. Increasing tensions between the United States (US) and China, the BREXIT contemplation together with a number of regional shocks and concerns over fiscal policy, contributed to a slowdown in the world economy.

At the same time, the global financial sector faced Volatility, Uncertainty, Complexity, Ambiguity (VUCA) challenges driven by fiscal and monetary policy changes.

These events suppressed the Indonesian economy, including its industrial activities, imports and exports. Prices of commodities and minerals, which the Indonesian economy is heavily reliant on, were negatively impacted. Indonesia's economic growth in 2019 reached 5.0% compared to 5.17% in 2018. However, the Government managed to keep the inflation rate low at 3.0%. This resulted in a slowdown in the banking industry as industry loan growth declined year-on-year. This was reflected in Working Capital and Consumption Loans which grew 2.53% and 5.73% respectively, slower than previous years' double digit growth. Likewise, customer deposits also grew less than the previous year. Banking liquidity became tighter due to increased competition in obtaining low cost funding.

## BOARD OF DIRECTORS' PERFORMANCE ASSESSMENT

Overall, the Board of Commissioners' assessment shows that the Board of Directors carried out their duties and responsibilities well in 2019. This assessment is based on the achievement of predetermined targets of Bank Business Plan (RBB) which has been submitted to the Financial Services Authority (OJK). Most of the Bank's performance indicators were met, with some exceeding the targets set.

We assessed the Board of Directors' successful implementation of a credit growth strategy based on the principle of prudence, in the midst of intense competition. CIMB Niaga's loan portfolio increased by 3.1% to Rp194.2 trillion, mainly driven by growth in Mortgage, SME Banking and Corporate Banking. The non-performing loans ratio improved to 2.79% from 3.11% in 2018. CIMB Niaga posted a net profit of Rp3.9 trillion, up by 12.4% year-on-year. Total assets increased by 2.9% year-on-year with CASA ratio up at 55.35%. CIMB Niaga's Capital Adequacy Ratio (CAR) stood at 21.47%, up by 1.8%.

The Board of Commissioners also noted that the Board of Directors successfully implemented a business growth strategy that focused on the Bank's main expertise in five main segments, namely Corporate Banking, MSME Banking, Commercial Banking, Consumer Banking and Sharia Banking. Treasury and Capital Market and Transactional Banking supported the business activities in these segments.

CIMB Niaga also strengthened its position as a leader in digital banking offerings. The investments made to improve digital products as well as its reliability and resiliency is a good strategic initiative carried out by the Board of Directors as this is the direction the financial industry is moving towards. As a leader in digital banking, supported by a strong technology infrastructure, CIMB Niaga will be more competitive in the upcoming years.



## **SUPERVISION OF STRATEGIC POLICY IMPLEMENTATION**

The Board of Commissioners' duties and responsibilities include supervising the implementation of strategic policies by the Board of Directors, and providing support, suggestions and advice for achieving the targets set out in the RBB. The Board of Commissioners evaluates the RBB realization report every semester before it is sent to OJK. In the event a revision is needed, the Board of Commissioners will review and approve the revised RBB.

The Board of Commissioners' supervision focus in 2019 was based on the five pillars of the Bank's strategy, namely 1) playing to our strengths, 2) expanding CASA franchise, 3) discipline in cost management, 4) preservation of capital and balanced risk culture, and 5) leverage information technology. Committees reporting to the Board of Commissioners also actively integrated these five pillars into their decision-making and when submitting recommendations to the Board of Commissioners.

The Board of Commissioners is of the opinion that the Board of Directors has addressed the five strategic pillars very well. The Board of Directors implemented strategic policies and synergized the five pillars to achieve its main goals. One success story of this synergy is the development of digital banking products in a cost efficient manner, which resulted in an increase in the Bank's CASA.

Nevertheless, The Board of Commissioners continues to remind the Board of Directors to prioritize the principle of prudence in their efforts to achieve the Bank's growth target performance.

## **FREQUENCY AND METHOD OF PROVIDING ADVICE TO THE BOARD OF DIRECTORS**

In line with its duties and responsibilities, the Board of Commissioners also provides suggestions and advice to the Board of Directors on achieving its targets. These are conveyed through Board of Commissioners' meetings where the Board of Directors are invited (joint meeting with the members of Board of Directors. In 2019, the Board of Commissioners held 8 (eight) meetings, and 4 (four) joint meetings with the Board of Directors.

In addition, the Board of Commissioners can also provide suggestions and advice to the Board of Directors through letters to the Board of Directors. However, in 2019 this method was not deemed necessary as the Board of Commissioners felt its working relationship and mutual respect with the Board of Directors was well established.

When providing its suggestions and advice, the Board of Commissioners considers the feedback and input from the Committees reporting to the Board of Commissioners who actively supervise the areas under their responsibility.



## VIEW ON THE BUSINESS PROSPECTS PREPARED BY THE BOARD OF DIRECTORS

In 2019, the global economic environment was pressured by continued protectionist movements and geopolitical turmoil in a number of countries. The United States' trade war with China, the exit of the United Kingdom (BREXIT) from the European Union and the geopolitical turmoil in various parts of the world resulted in a global economic slowdown. For the domestic economy, the government reacted by introducing various policies including the development of strategic export-oriented sectors, import substitutions, incentives in the tourism industry, Kredit Usaha Rakyat (KUR) interest subsidies, MSME empowerment, as well as decreasing the benchmark interest rates in addition to liquidity easing policies introduced by Bank Indonesia.

Taking into account market headwinds in 2019, the Board of Commissioners has evaluated the Board of Directors' business prospects for CIMB Niaga in the RBB. The Board of Directors set a number of targets to be achieved in the year based on certain assumptions of external forces and taking into account the Bank's internal conditions. In the opinion of the Board of Commissioners, the business prospects and targets set by the Board of Directors is realistic and in line with the shareholders' expectations.

In 2020, the loan growth target is set to be 6-8% year-on-year supported by deposits growth of 7- 9% with CASA growth of 6-8%.

The Board of Commissioners believes that CIMB Niaga has vast potential to continue growing in the banking and financial services industry.

However, the Board of Commissioners has also reminded the Board of Directors to ensure that risks arising from external factors are mitigated, especially since global economic and financial market conditions are uncertain at this point.

## SUSTAINABLE FINANCE INITIATIVE

CIMB Niaga is committed to applying the principles of sustainability and sustainable finance in line with POJK No. 51/POJK.03/2017 regarding the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies. The Bank has established a number of initiatives as outlined in its Sustainable Finance Action Plan (SFAP) that has been submitted to OJK.

The Board of Commissioners would like to show its appreciation for the initiatives taken by the Board of Directors to support the realization of the Sustainable Development Goals in Indonesia. As a forward-looking bank, CIMB Niaga must show its leadership in implementing these resolutions.

To achieve sustainable, stable and inclusive development, it is absolutely necessary to balance the economic, social and environmental aspects. This is in line with CIMB Niaga's commitment to ensure that the Bank's comprehensive and integrated business activities have a positive long- term impact for the Bank and its stakeholders.

## HUMAN RESOURCES

The Board of Commissioners sees Human Resources (HR) playing a very strategic role in developing a high-performance organisation. To realize the Bank's vision and mission, the Board of Commissioners continues to support the HR management's strategic efforts in competency and equity improvement programmes. The Board of Commissioners has also reminded the Board of Directors to take into account the developments in the banking industry in curating appropriate training programmes, for example, in 3D (Data, Digital and Design). The Bank must now face intense competition to recruit the best talent. CIMB Niaga must be able to demonstrate its many advantages to attract top talents to join and strengthen the organisation.

## INFORMATION TECHNOLOGY AND DIGITAL BANKING

A robust and resilient information technology infrastructure is crucial for modern financial institutions. The Board of Commissioners has encouraged the Board of Directors to continue to strengthen the Bank's information technology infrastructure. This is in line with the global financial service trend to drive digital finance.

CIMB Niaga is expected to be at the forefront of digital banking. The Board of Commissioners supports the Board of Directors' efforts to provide customers value through Go Mobile and CIMB Clicks. The development of information technology and digital banking will also improve the Bank's cost efficiencies.

## VIEW ON THE IMPLEMENTATION OF CORPORATE GOVERNANCE

CIMB Niaga's improving performance is closely tied to the implementation of the principles of good corporate governance (GCG). The application of these principles has become one of the main focuses in the supervision conducted by the Board of Commissioners.

In general, the Bank's GCG is good. The basis for this assessment is in accordance with 4 Governance aspects, of which governance commitment, governance structure, governance processes and governance outcomes are tangible evidence of CIMB Niaga's responsibility to its stakeholders (customers, employees, communities and other stakeholders).

CIMB Niaga has managed risk very well by implementing risk management that refers to the EWRM (Enterprise Wide Risk Management Framework). EWRM has complementary "top down strategic" and "bottom up tactical" risk management approaches, which together with existing policies and procedures, cover all the Bank's significant risk areas.

In addition, the internal control system, which follows the principle of the 3 lines of defense, has also been implemented well at CIMB Niaga. This was reflected in the improvements in the internal audit rating and the company's level of risk awareness.

## COMMITTEES REPORTING TO BOARD OF COMMISSIONERS PERFORMANCE EVALUATION

When carrying out its duties and responsibilities, the Board of Commissioners are assisted by the Audit Committee, the Risk Monitoring Committee, the Nomination and Remuneration Committee and the Integrated Governance Committee. The Board of Commissioners considers that all Committees have carried out their duties and responsibilities of assisting the Board of Commissioners' supervisory functions effectively.

These committees provided input and advice to the Board of Commissioners in accordance with their areas of responsibility.

The basis for the Board of Commissioners' performance evaluations includes evaluating the Committee's performance, collectively and individually. This covers the Board of Commissioners' Committee structures, the meetings' effectiveness and the effectiveness of carrying out their duties and responsibilities.

## OVERVIEW OF WHISTLE BLOWING SYSTEM PRACTICES

The whistleblowing system (WBS) helps to prevent potential violations in business practices. The Board of Commissioners fully supports the WBS in creating an open, sincere, honest and responsible work environment. The Bank has appointed a third party to manage the whistleblowing reporting and encourages everyone to have the courage to report any violations or indications of fraud.

The Audit Committee assists the Board of Commissioners by taking an active role in the implementation of WBS and periodically evaluates the WBS implementation reports. Due to the low number of reports submitted through the WBS, the Board of Commissioners has suggested the Board of Directors make improvements, especially through socializing its existence. In 2019, CIMB Niaga received 131 whistleblowing reports with 26 actions taken on employees.



## CORPORATE SOCIAL RESPONSIBILITY

CIMB Niaga is committed to Corporate Social Responsibility (CSR) programmes. These programmes demonstrate the Bank's concern and its contribution to the communities and environmental preservation which results in of sustainable economic development.

The Board of Commissioners' view is that throughout 2019, CIMB Niaga conducted CSR programmes and activities in line with the Bank's strategy and sustainability principles. The Board of Commissioners appreciates the Board of Directors' CSR efforts which are guided by the four pillars of education development, community empowerment, philanthropy and the environment.

## CHANGES IN THE COMPOSITION OF THE BOARD OF COMMISSIONERS

The 2019 Annual General Meeting of Shareholders (AGM) approved changes to the CIMB Niaga Board of Commissioners' composition, namely the appointment of Didi Syafruddin Yahya as Commissioner and Sri Widowati as Independent Commissioner. They will effectively serve from 20 November 2019 until the close of CIMB Niaga's AGM in 2023.

These appointments were made to improve good governance, in particular the Board of Commissioners' diversity in terms of background, expertise/experience, gender, age and independence. In addition, with their

credibility and expertise, we hope to further strengthen the performance of the Board of Commissioners.

In 2019, CIMB Niaga accepted the resignation of Glenn M. S. Yusuf from his position as the Bank's Vice President Commissioner, as he has plans to continue his education. This resignation will require approval at the Bank's AGM in 2020.

The CIMB Niaga Board of Commissioners' Members during the preparation of this annual report were:

Tengku Dato' Sri Zafrul	: President Commissioner
Tengku Abdul Aziz*	
Glenn M. S. Yusuf**	: Vice President Commissioner
Zulkifli M. Ali	: Independent Commissioner
Pri Notowidigdo	: Independent Commissioner
Jeffrey Kairupan	: Independent Commissioner***
David Richard Thomas	: Commissioner
Didi Syafruddin Yahya	: Commissioner
Sri Widowati	: Independent Commissioner

\*) has tendered his resignation from his position as President Commissioners through the letter that has been received on 9 March 2020 and will be conveyed to obtain resolution in the 2020 AGM

\*\*) has tendered his resignation as Vice President Commissioner according to the letter dated 31 August 2019 which effective on 1 September 2019

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

The Board of Commissioners would like to express its gratitude and appreciation to Glenn M. S. Yusuf for his contribution and dedication that has enabled CIMB Niaga to develop and become the second largest private bank in Indonesia. In addition, the Board of Commissioners welcomes and congratulates the new members to the Board of Commissioners. With this new composition, the Board of Commissioners will be able to further strengthen its oversight function and contribute to CIMB Niaga's sustainable growth.

### APPRECIATION

2019 was a successful year, and the Board of Commissioners expresses its appreciation to CIMB Niaga's Board of Directors, management and #teamCIMB for their dedication and hard work which has enabled the Bank to report a positive performance. To the Shareholders and stakeholders, for their trust and support, the Board of Commissioners also expresses its appreciation. This has helped us carry out our duties and responsibilities effectively.

The Board of Commissioners also expresses its appreciation to all customers, business partners, regulators and other stakeholders. We are hopeful that this well-established cooperation will continue to improve in the future.

11 March 2020



**TENGKU DATO' SRI ZAFRUL TENGKU ABDUL AZIZ**  
PRESIDENT COMMISSIONER