

TYPES OF RISKS AND ITS MITIGATIONS

Bank Mandiri manages 10 (ten) types of risks in an integrated manner:

1. Credit Risk
2. Market Risk
3. Liquidity Risk
4. Operational Risk
5. Legal Risk
6. Reputation Risk
7. Strategic Risk
8. Compliance Risk
9. Intra-Group Transaction Risk
10. Insurance Risk

CREDIT RISK MANAGEMENT

Bank Mandiri manages and mitigates credit risk at every stage of the lending process. In the Wholesale segment, the credit risk management process begins with determining the target market, guided by the Loan Portfolio Guideline. This guideline classifies industrial sectors into categories (attractive, neutral, selective, restrictive) based on sector outlook and portfolio quality. Industry Limits are also established to minimize credit risk concentration in specific sectors.

To identify qualified pipelines, a pre-approval process is conducted using credit risk tools. This involves a Clearance process that includes an initial analysis of potential customers based on their reputation, business operations, and financial condition. A credit risk assessment is then performed, by taking into account factors such as ratings, financial conditions, analysis, and borrower potential, etc. The final decision is made by

the Credit Approval Authority, following the four-eyes principle, which involves independent evaluations by the Business Unit and Credit Risk Management Unit.

Following the credit disbursement process, regular monitoring using early warning signals is carried out to detect potential non-performing borrowers, enabling the Bank to prepare appropriate action plans, including collection, recovery, and restructuring efforts.

For the Retail segment, which targets the mass market, credit processes are more automated. A credit risk scorecard, aligned with the Risk Acceptance Criteria of each product, processes loans through an automated workflow system (Loan Factory). Monitoring is performed at the portfolio level through Portfolio Quality Reviews, followed by collection and recovery process for non-performing portfolios.

To anticipate macroeconomic uncertainties, a what-if analysis of wholesale and retail portfolios is carried out through a process of stress testing and sensitivity analysis using certain macroeconomic scenarios.

In all lending activities, Bank Mandiri prioritizes prudence by employing credit analysis through independent business units and credit risk units. Credit management is governed by the Credit Policy (KPKD), operationalized through Credit

Standard Procedures (SPK) and Product Manuals, ensuring an end-to-end risk management process.

At the borrower level, credit concentration risk is managed by monitoring the Legal Lending Limit (LLL), and the application of Management Limits for large business groups. In general, credit processes and risk management are carried out end-to-end and integrated across the Business Unit, Credit Operation Unit, and Credit Risk Management Unit.

The Bank regularly reviews and updates its credit policies in general, credit for segment-specific procedures, and risk management tools. These guidelines provide comprehensive credit risk management instructions for identifying, measuring, and mitigating credit risk in the end-to-end credit process starting from determining the target market, credit analysis, approval, documentation, credit withdrawal, monitoring/supervision, to the process of resolving/ restructuring non-performing loans.

To enhance its social role and commitment to addressing environmental risks, Bank Mandiri has embedded Environmental, Social, and Governance (ESG) considerations into its Industry Acceptance Criteria Technical Guidelines. These guidelines are used to evaluate and select prospective debtors who meet



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qualification standards and have implemented ESG principles in their business operations. This initiative aligns with Financial Services Authority Regulation No. 40/POJK.03/2019 on Asset Quality Assessment for Commercial Banks, which mandates that the evaluation of a debtor's business prospects must include their efforts in environmental preservation. Furthermore, Bank Mandiri has developed a Sustainable Finance Action Plan to strengthen its environmental stewardship. This plan is in accordance with the Financial Services Authority Regulation on the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies, reaffirming the Bank's commitment to fostering sustainability and responsible governance practices.

In principle, credit risk management at Bank Mandiri is implemented both at the transactional and portfolio levels. At the transactional level, the Bank applies a four-eyes principle, ensuring that every credit approval involves independent evaluations by the Business Unit and the Credit Risk Management Unit to achieve objective decision-making. This process is executed through the Credit Committee, adhering to the established authority limits, with credit approvals determined through the Credit Committee Meeting mechanism.

Credit risks from borrowers and products are accounted for through impairment loss provisions under PSAK 71, effective since 1 January 2020. These provisions are monitored through the cost of credit indicator.

MARKET RISK MANAGEMENT

Market risk management at Bank Mandiri is conducted by an independent unit following the principle of segregation of duties, ensuring a clear separation of functions and responsibilities among the front office, middle office, and back office. The Market Risk Management Organization is divided into two sections; Market Risk Management – Trading Book, and Market Risk Management – Banking Book.

The framework for and governance of market risk management at Bank Mandiri consist of:

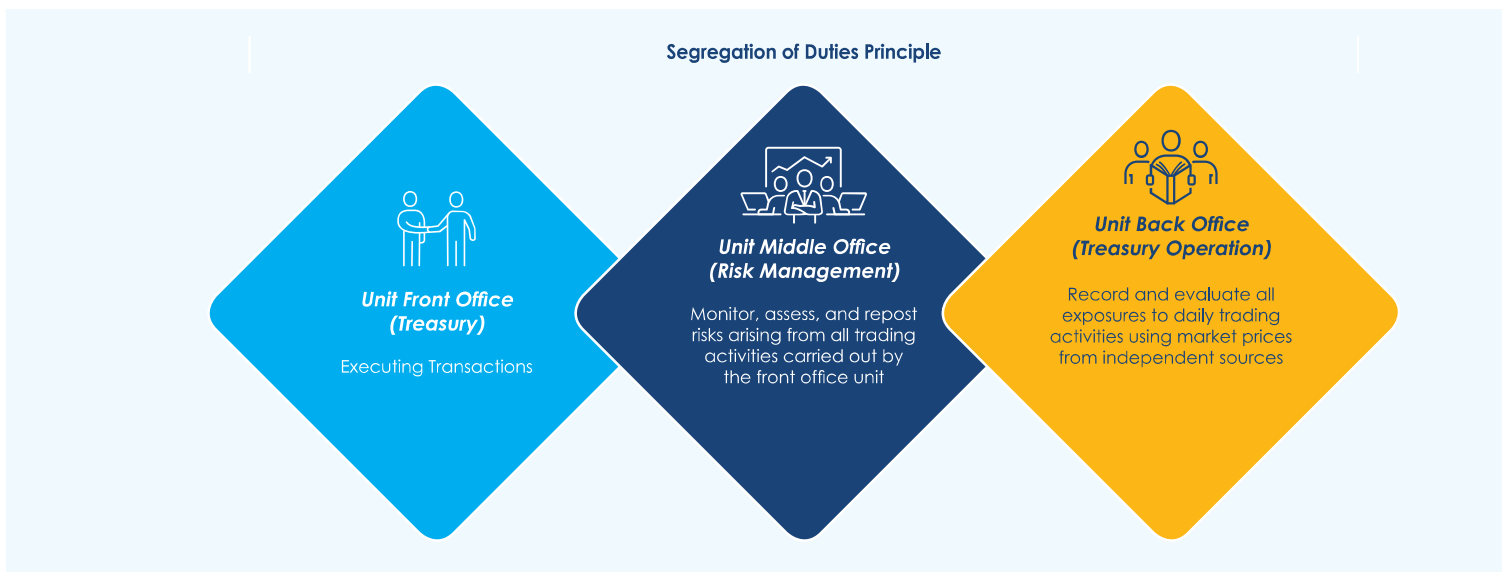
1. The Board of Commissioners, who are responsible for market risk oversight through the Risk Monitoring Committee, Integrated Governance Committee, and Audit Committee.
2. Directors, who are responsible for the risk policy function through the Executive Committee with respect to market risk management and recovery plan, the Assets & Liabilities Management Committee, Risk Management Committee.
3. Risk Management Unit together with the business units and compliance unit, who perform risk identification, risk calculation, risk monitoring, and risk control.

Bank Mandiri's Risk Management Framework is designed by considering both internal and external factors, including but not limited to the Bank's business dynamics, regulatory requirements, advancements in methodologies and best practices, as well as risk data. The authority and responsibilities for implementing risk management are defined in the Risk Management Policy (RMP). Specific guidelines for managing market risk in the trading book and banking book portfolios are detailed in the Standard Procedure of Treasury (SPT) and Standard Asset & Liability Procedure Management (SP ALM).

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Management and Mechanism of Market Risk Measurement – Trading Book

Trading book market risk refers to the risk arising from potential losses due to activities involving trading book instruments, encompassing interest rate risk, credit spread risk, equity risk, and exchange rate risk, which can impact the Bank's profitability. Bank Mandiri manages market risk by adhering to the principle of segregation of duties, ensuring a clear separation of functions and responsibilities in treasury unit trade transactions, which consist of:



The measurement of trading book risk is conducted in accordance with regulatory requirements and several internal indicators, including Value at Risk (VaR), sensitivity simulations, and stress testing. Risk monitoring is carried out by applying various types of limits on treasury activities. These limits are set in a tiered manner, from the dealer level to the bank-wide level, to ensure that trading exposure remains consistent with the risk appetite established by management.

Management and Mechanism of Market Risk Measurement – Banking Book

Banking book market risk refers to the risk arising from changes in interest rates and exchange rates related to banking book activities, which can impact the Bank's profitability (earnings perspective) and the economic value of its capital (economic value perspective). Bank Mandiri manages this risk by optimizing its balance sheet structure to achieve maximum returns within an acceptable risk level. Management also involves setting limits aligned with internal policies and prevailing laws and regulations, which are periodically monitored by the relevant work units.

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LIQUIDITY RISK MANAGEMENT

Liquidity risk arises from the Bank's inability to meet its due obligations through cash flow financing and/or high-quality liquid collateral assets without causing disruption to the Bank's operations and financial condition.

Liquidity risk can be divided into two categories:

1. Funding Liquidity Risk, which is a risk caused by the Bank's inability to liquidate its assets or secure funding from other sources. The inability to secure cash flow financing that causes liquidity risk can be explained by (1) the Bank's inability to generate cash flow from productive assets or asset liquidation including liquid assets; and/or (2) the Bank's inability to generate cash flow from funding, interbank transactions, and received loans.
2. Market Liquidity Risk, which is a risk caused by the Bank's inability to close out certain positions at a market price due to inadequate market liquidity conditions or disruptions in the market.

Liquidity Risk Management is carried out in the following 4 (four) stages:

1. Identification, to determine risk and sources of liquidity risk and the problems it poses so that it may be controlled and mitigated. The identification of liquidity risk can be conducted by identifying balance sheet components and administrative account components that may affect the Bank's liquidity and identifying market parameters such as crises and other things.

2. Measurement, to measure liquidity risk, which is done using 2 (two) approaches, namely (1) Nominal Stock-Based (Liquidity Ratio) which entails the use of various financial ratios as an indicator of the level of liquidity risk and (2) Flow-Based (Liquidity Gap Analysis).
3. Monitoring, which is conducted using a limit system to monitor the indicators of liquidity risk.
4. Control, which is an activity that aims to minimize the impact of liquidity risk by considering the level of income earned.

Tools and Method

Bank Mandiri manages liquidity risk by measuring the liquidity risk using some indicators, such as primary reserve ratio (minimum statutory reserves and Cash ratio), secondary reserve (liquidity reserves), Macroprudential Intermediation Ratio (MIR), Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR).

To manage liquidity risk in a measured and comprehensive manner, Bank Mandiri implements the following strategies:

1. Determine limits that refer to internal provisions and regulatory provisions.
2. Perform periodic liquidity risk stress testing to determine the impact of changes in market factors and internal factors in extreme conditions (crises) on liquidity conditions.
3. Arrange and conduct a periodic review of the Liquidity Contingency Plan (LCP) and Recovery Plan that regulate the Company's procedure for handling worsening liquidity conditions including alternative financing strategies such as sale/purchase of FX, Money Market instruments, and Interbank Securities Repo, Government Bond sale, and the use of Standing Facility and repo of the Bank Indonesia. The determination of liquidity conditions and financing strategies in the LCP and Recovery Plan has considered internal and external conditions.

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4. Monitor external indicators such as Jakarta Interbank Offered Rate (JIBOR), USD Interbank, Rupiah interest rate, yield from SUN and UST with a 10-year tenor, Outstanding IDR banking liquidity, USD/IDR exchange rate, credit spread of default swaps (CDS), Composite Stock Price Index (CSPI), as well as current market information. This monitoring aims to increase awareness of less stable economic conditions, either due to a global crisis or various domestic issues.

Liquidity Adequacy Ratio

Bank Mandiri's liquidity adequacy can be identified through Liquidity Coverage Ratio, Net Stable Funding Ratio, Macroprudential Intermediation Ratio (MIR), and Liquidity Reserves. The Liquidity Coverage Ratio (LCR) is a ratio of High-Quality Liquid Assets (HQLA) to the estimated net cash outflow within the next 30 (thirty) days in a crisis scenario. The LCR aims to improve the short-term liquidity of a bank during a crisis. In December 2024, Bank Mandiri's LCR reached 139.21% (Bank Only) and 140.64% (consolidated), above the minimum LCR fulfillment target set by the Regulator which was 100%.

Another indicator used by Bank Mandiri to determine liquidity adequacy is the Net Stable Funding Ratio (NSFR). The Net Stable Funding Ratio (NSFR) is a ratio of available stable funding to required stable funding. As of December 2023, Bank Mandiri's NSFR reached 107.60% (Bank Only) and 109.18% (consolidated), above the minimum NSFR fulfillment target set by the Regulator which was 100%.

The Macroprudential Intermediation Ratio (MIR) is a ratio of distributed credit and corporate commercial paper fulfilling certain requirements and are owned by the Bank to third-party funds, commercial paper fulfilling certain requirements issued by the Bank, and loans fulfilling certain requirements received by the Bank. As of December 2024, Bank Mandiri's RIM (Bank Only) reached 94.83%.

In addition, Bank Mandiri has liquidity reserves, which serve as a liquid asset above minimum statutory reserves that are used to meet unscheduled liquidity needs. In managing its liquidity reserves, Bank Mandiri sets a limitation in the form of safety level, which is a projection of liquidity reserves for the next 1 (one) month. As of December 2024, the Bank's liquidity reserves were above the safety level.

RISK OPERATIONAL MANAGEMENT

Operational risk arises from inadequacies and/or failures in internal processes, human errors, system malfunctions, and/or external events that impact the Bank's operations, including risks related to cyber security. Operational risks can lead the emergence of other risks, such as reputational risk, strategic risk, legal risk, market risk, credit risk, compliance risk, and liquidity risk. Effective and consistent management of operational risk is crucial to minimizing the likelihood of these interconnected risks.

Operational risks are inherent in every product, activity, and operational process of the Bank as part of its business activities. These risks are also the responsibility of every individual within the Bank. The Risk & Control Owner holds the primary responsibility for implementing optimal operational risk management to minimize these risks.

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In developing an Operational Risk Management Strategy, the Bank applies the following principles:

1. Long-term oriented to ensure the Bank's business continuity, by maintaining the Bank's risk exposure managed in a controlled manner in accordance with the Bank's internal regulations, as well as prevailing laws and regulations and other stipulations.
2. Comprehensive and extensive in all parts of the Bank, and remains focused on material and or significant risks and the most effective mitigation processes.
3. Proactive in identifying and detecting potential control weaknesses and the occurrence of risks hence risks can always be minimized.
4. Comply with the provisions for the fulfillment of capital adequacy operational risks in accordance with regulations and the development of risks appetite.

Operational risk management is implemented through a layered lines-of-defense model, where each line of defense has distinct roles and approaches to addressing operational risks. This framework is based on the principle of combined assurance, ensuring that a balance between risk & reward is also achieved.

The Risk & Control Owner is fully responsible for managing risks and implementing daily internal controls to ensure that existing risks are mitigated. This includes continuously improving control designs to align with changes in processes.

To ensure effective operational risk management, the process is carried out in four stages:



1. Identification, a process to identify potential inherent risks to a product/activity/process, taking into account internal and external factors, such as data of operational risk incidents, regulatory changes, and audit findings. This stage includes identifying risk mitigation and control measures.

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2. Assessment, which is the process of evaluating by considering the potential impact and likelihood of a risk can inherently occur. This aims to find out which risks are more material/significant compared to others to ensure more focused control measures can be prepared. In addition, an assessment is also carried out on quantitative control through control testing activities to determine whether the control design regulated in the prevailing regulations at the bank has been effectively implemented (operating effectiveness) and or can still be effectively used (design effectiveness). The assessment produces a residual risk value which is the risk value after considering the controls.
3. Monitoring, a process to monitor risks that have been identified and assessed for their likelihood. Risk monitoring is carried out at all times in every work unit and by its members. The activity follows a hierarchy and is done collectively, including by the unit's head, adhering to the applicable procedures. Monitoring activities include the early warning systems in existing tools/reporting.
4. Risk Control/Mitigation, which is a process to control and mitigate before a risk event occurs through the implementation of adequate and consistent control procedures, as well as implementing follow-up actions plans on control weaknesses found (thereby potential risks occur) in the monitoring process and follow-up on incidents. The purpose of this process is to ensure that residual risk to the Bank is kept to a minimum. Controls must be consistently implemented according to existing control designs but must also be continuously reviewed to ensure existing control designs are still effective for mitigation of emerging risks.

Operational Risk Management Tools

To enable work units in implementing operational risk management, the Bank provides the following risk management tools:

1. Risk & Control Self-Assessment (RCSA)
RCSA is a register of key risks and control measures that inform risk-based control testing to identify potential weaknesses as early on as possible. The tool allows its user to maintain minimum level of residual risks and to take necessary mitigation measures.
2. Loss Event Database (LED)
A database of operational risk incidents that are recorded on a risk-based approach with the aim of being lesson learned, monitoring follow-up remediation and future improvements, and as one of the components of the calculation of operational risk capital (regulatory capital charge) of the Standardized Approach (SA) method.
3. Key Indicator (KI)
KI contains key risk indicators (KRIs) and Key Control Indicators (KCIs) and serves as an early warning signal that encourages early control actions to be undertaken.
4. Issue & Action Management (IAM)
IAM is a tool to monitor if known issues are follow-up using a range of activities, such as control testing, incidents, key indicators, and self-identified issues.
5. Capital Modelling
A tool to calculate regulatory capital charge in accordance to applicable regulations and as part of operational risk mitigation.



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To improve its operational risk management effectiveness, the Bank has developed an integrated Operational Risk Management System that covers all of the tools above. The system is also implemented in all work units at the head office and regions.

The output of operational risk management activities is an Operational Risk Profile Report that describes operational risk exposure. The report is submitted periodically to the Bank's Board of Commissioners and Board of Directors, and supports the boards' active role in operational risk management. The report also informs the Bank's risk management report to regulators as part of Risk-Based Bank Rating (RBBR) in accordance with applicable provisions.

Operational Risk Management Organization

Operational risk management is carried out by all of the Bank's elements, including the Board of Directors with active supervision from the Board of Commissioners. The Boards understand existing risks and have a key role in supporting and overseeing risk management activities at the operational unit level.

The operational risk management organization and their duties and responsibilities are:

1. Risk Management Committee (RMC). RMC leads the preparation, adjustment/ improvement of risk management. RMC's membership, duties, and authority are stipulated in a Board of Directors' Decision on RMC.
2. Risk & Control Owner. A unit that is fully responsible for operational risk management and ensuring the effectiveness and compliance of control measures in every operational activity. A Risk & Control Owner maintains the Bank's operational risk appetite at a level that has been identified, thereby allowing the Bank to achieve its goals and keep an optimal level of regulatory capital charge.
3. Operational Risk Management Unit (Senior Operational Risk by Business Area). A unit (attached to a business area) that is responsible for implementing operational risk management policies, strategies, frameworks and tools in collaboration with the Risk & Control Owner.
4. Work Unit on Operational Risk Management Development (Bankwide/Enterprise). A unit that is responsible to formulate and disseminate policies, strategies, frameworks, and operational risk management tools.
5. Internal Audit Unit. This unit carries out independent assurance function to ensure that all operational defense lines are functioning effectively and properly.

LEGAL RISK MANAGEMENT

Legal risk is a type of risk faced by Bank Mandiri as a result of lawsuits and/or legal claims, whether initiated by internal or external parties, and/or the identification of legal weaknesses such as the absence of supportive regulations, flaws in agreements such as the failure to meet the requirements for a valid contract, or imperfect collateral binding.

The management of legal risk is handled by the Legal unit at the Head Office, which is responsible for regulatory, advisory, litigation, advocacy, and legal assistance functions, as well as coordination and supervision, legal education and transformation, and legal risk management for the Bank. In carrying out these functions, duties, and responsibilities, the Legal unit at the Head Office coordinates with the Legal units in work units and regional offices. The Head Office Legal unit acts as the system supervisor and provides guidance to the Legal units in work units and regions.

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The risk management mechanism, encompassing the processes of identification, measurement, monitoring, and control, adheres to the applicable risk management regulations. Each work unit responsible for products and/or activities is required to identify and manage risks comprehensively, including but not limited to legal risks, which are inherently present in every product or activity created or carried out by the company. This is to ensure that legal risks do not have widespread impacts or trigger other risks, such as reputational risks.

The legal risk management efforts implemented by Bank Mandiri, both preventive and corrective, are deemed sufficient to protect the Bank's legal interests and minimize significant financial impacts. This is reflected in the 2024 Legal Risk Profile Report, which achieved a "Low" risk rating.

REPUTATIONAL RISK MANAGEMENT

Reputational risk arises from a decline in the level of stakeholder trust caused by negative sentiments surrounding the Bank.

Reputational risk is managed through monitoring, supervision, handling, and resolution efforts coordinated by the Corporate Secretary, with support from relevant work units, including Customer Care, Legal, Retail Product & Fraud Risk Management, IT Application Development & IT Application Support, and Business Continuity Management. Reputational risk management adheres to internal policies and applicable laws and regulations.

To mitigate this risk, the Bank actively builds a positive image through conventional media and by producing positive content on social media platforms.

The Mechanism for Managing Reputational Risk

Reputational risk is managed through monitoring, supervision, handling, and resolution mechanisms coordinated by the Corporate Secretary Group, in accordance with the Corporate Secretary Standard Guidelines. Based on these guidelines, there are four stages of reputational risk management: identification, measurement, monitoring, and control. These stages are reflected in each Corporate Secretary activity with potential reputational risk, such as the Bank's activities as a publicly listed company.

In such activities, reputational risks can be identified, such as delays, errors, or inconsistencies in reporting. These may stem from factors such as individuals lacking knowledge or understanding of disclosure obligations or insufficient supervision and review by supervisors. To control these risks, Bank Mandiri implements mitigation measures, such as maintaining a checklist of disclosure obligations and ensuring supervisors carry out thorough checks and reviews.

Should reputational risk incidents occur and result in negative perceptions of the Bank, mitigation activities can be carried out to reduce the impact. One method involves publishing positive articles in print, online, and electronic media, as well as sharing positive content on social media to neutralize the negative perceptions. These positive articles may highlight the Company's business and social activities or its support for government programs, in compliance with the Corporate Secretary Standard Guidelines.



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Implementation of Reputational Risk Management Policy

As part of the implementation of the reputational risk management policy, the Company ensures that all work units perform their respective functions effectively and in compliance with applicable regulations. In cases where an incident with reputational risk implications occurs related to the duties and functions of a specific work unit, that unit is required to provide detailed information to the Corporate Secretary Group immediately. This enables prompt management of the incident to minimize its impact.

To address customer complaints and inquiries, Bank Mandiri currently maintains internal channels, including branch offices, the Call Center at 14000, its official website, and social media accounts. All complaints and inquiries are forwarded to the Customer Care Group for handling and resolution. In addition to internal channels, the Customer Care Group also manages complaints from external sources, such as print, online, electronic media, and social media.

In executing these duties, the Customer Care Group coordinates with the Corporate Secretary Group, particularly in handling customer complaints reported in conventional media and social media.

Monitoring and Evaluation

The Corporate Secretary Group conducts periodic monitoring and evaluation of media coverage in print, online, electronic media, and social media to measure the effectiveness of the company's publication and communication activities. The results of this monitoring and evaluation serve as the basis for planning future publication and communication activities, with the goal of continuously strengthening the Bank's reputation.

Communication Support for Government Programs

The Corporate Secretary Group continues to serve an active role in supporting the government's strategic programs through various integrated communication activities. One of its key efforts is collaborating with the Ministry of SOEs in developing publications using an agenda-setting approach. This initiative aims to ensure that the corporation's strategic messages align with the government's communication priorities while enhancing synergy between institutions in delivering relevant information to the public.

In addition, the Corporate Secretary Group supports government programs through international publications. This is achieved by highlighting the SOEs' contributions information on the global stage, strengthening the position of Indonesian SOEs as key entities at the international level, and enhancing the nation's positive image worldwide.

Furthermore, the Corporate Secretary Group conducts financial literacy campaigns and raises awareness on financial services through various media, such as social media, YouTube, official WhatsApp platforms, and so forth. These efforts are undertaken to convey messages regarding financial inclusion, including awareness and caution in transactions. Bank Mandiri also collaborates with public figures and influencers to ensure the messages resonate more effectively with a broader audience or specific segments of the population.

Crisis Management

In the event of a massive reputation crisis with significant impact on stakeholder trust, the Company will promptly implement immediate action plans to minimize the effects of the crisis. These actions include preparing issue management strategies, appointing internal spokespersons, scheduling crisis response activities, and conducting an overall evaluation.

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STRATEGIC RISK MANAGEMENT

Strategic Risk Management Organization

The Bank has established a Risk Management Committee and a Risk Management Unit that aim to support comprehensive, integrated, measurable, and controlled risk management. Each committee is supported by a working group consisting of groups directly related to the risk issues within the scope of the respective committee.

Strategic Risk Management Mechanism

The Bank's risk management is governed by a risk management policy developed in alignment with Bank Indonesia Regulations (PBI), Financial Services Authority Regulations (POJK), Basel standards, and international best practices. This policy is regularly reviewed to anticipate changes in business conditions, regulations, and the Bank's internal environment.

In managing strategic risks, Bank Mandiri consistently reviews performance and evaluates policies for setting business targets. The Bank also takes corrective actions to refine its strategic planning and business targets, considering internal and external conditions when necessary.

The Implementation of Strategic Risk Management

Bank Mandiri's strategic direction aligns with its Corporate Plan, which is designed by taking into account the Bank's core competencies and the shifting business patterns and consumer behavior toward digital platforms. Amid economic uncertainties, Bank Mandiri also emphasizes the importance of profitability and credit quality to mitigate future risks. As such, in addition to implementing initiatives outlined in the Corporate Plan, Bank Mandiri sharpens its business strategy by focusing on:

1. Focus on driving and implementing sustainable growth strategies, accompanied by optimal cost-efficiency programs, to enhance profitability growth.
2. Ensure the achievement of leading indicators for both revenue and cost across all financial metrics.
3. Prioritize maintaining and increasing a sustainable CASA Ratio to support loan growth.

Measures and Plans in Anticipating Strategic Risk

In anticipating the risk factors faced by Bank Mandiri, it is essential to implement independent and prudent risk management without hindering the Company's business expansion processes. The following outlines the strategic risk management strategies for 2024:

1. Conduct liquidity management by adjusting deposit and loan interest rates to maintain a healthy Net Interest Margin (NIM). Additionally, the Bank can diversify funding sources by reducing reliance on high-cost funds, exploring alternative, more affordable funding sources, and reviewing counter rates and special rates (retail deposits) in the small business, micro, and consumer (individual) segments.
2. Perform credit assessments that focus on industrial sectors demonstrating positive and sustainable growth while considering internal capabilities and resources in accordance with Bank Mandiri's Risk Acceptance Criteria to minimize default risks. Additionally, maintain adequate provisioning to anticipate potential credit losses.
3. In line with the industry's digitalization trend, Bank Mandiri's Corporate Plan 2020–2024 includes a focus on digitalization, aiming to become Indonesia's #1 Modern Digital Bank and ensuring the progress of IT projects aligns with the established timeline.



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4. The Bank focuses on maintaining and sustainably increasing the CASA Ratio and CASA volume to support credit expansion by:
 - a. Optimizing the use of Kopra by Mandiri through main operating account strategies (Kopra Portal and Kopra H2H) to capture the entire customer transaction ecosystem.
 - b. Managing the realization of the Cost of Fund (CoF) by balancing liquidity, supporting demand deposit growth through transactional solutions for business and corporate clients, and increasing savings market share using Livin' as an everyday financial app.
5. Strengthen capital accumulation from retained earnings (Tier-1) by optimizing revenue and overhead costs, while conducting a deeper review of initiatives that enhance productivity, provide added value, and deliver long-term benefits.
6. Enhance access to capital and financial markets to secure additional funding, either in the form of equity or debt (subordinated debt).

COMPLIANCE RISK MANAGEMENT

Compliance risk arises from the Bank's failure to adhere to and/or implement the provisions of prevailing laws and regulations.

To manage compliance risk, Bank Mandiri has established policies, guidelines, systems, and procedures to foster a compliance culture. This culture serves as a key factor in the successful implementation of compliance risk management, both individually and on a consolidated basis, as well as in an integrated framework within the Financial Conglomerate.

All levels of the Company are fully responsible for implementing compliance in each of their respective activities. The organization, duties, and responsibilities with respect to compliance are as follows:

1. Board of Commissioners

With respect to Compliance and Integrated Governance, the Board of Commissioners is mandated to supervise the implementation of Compliance Function.

2. Integrated Governance Committee

The committee is established to assist the Board of Commissioners in carrying out its supervisory function on the implementation of Integrated Governance and Integrated Compliance Functions at Bank Mandiri and its Subsidiaries.

3. Board of Directors/SEVP

The Board of Directors is responsible to foster and realize Compliance Culture as well as to ensure that Compliance Function is implemented at all levels of the organization and the Bank's business activities.

4. Director in Charge of Compliance Function

The Director in charge of the Compliance Function is responsible for formulating compliance culture strategies, minimizing compliance risk, establishing compliance systems and procedures, and ensuring that all policies, provisions, systems, and procedures implemented by the Bank are in accordance with applicable laws and regulations.

5. Compliance Unit (i.e., Compliance & AML-CFT Group)

The Compliance Unit assists and/or represents the Director in charge of the Compliance Function in carrying out its duties and responsibilities.

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6. Heads of Units

Heads of Units are responsible for realizing compliance culture in their respective units, managing compliance risk, and implementing system/process and/or procedure improvements related to compliance issues in their units.

Compliance Risk Management Mechanism

Bank Mandiri has established compliance risk management policies and procedures based on the applicable rules and regulations, where the risk is managed in several stages:

1. Identification
Identification of compliance risk is articulated in the Compliance Risk Statement (CRS). CRS entails reference of regulations, risk cause, risk control, and action plans for prevention purpose.
2. Evaluation
All identified risks are assessed by each risk owner. The output of assessment is a compliance risk profile for every work unit. Risk assessment is carried out based on the risk's occurrence likelihood and its potential impacts. Risk owners also assess the effectiveness of control measures.
3. Monitoring
Risk monitoring is part of an adequate compliance risk management. Monitoring activities include identifying and overseeing compliance risk appetite statement (RAS).
4. Mitigation
Compliance risk mitigation is carried out by:
 - a. Reviewing risk identification process to ensure the process has been carried out appropriately.
 - b. Reviewing the appropriateness of control and mitigation activities.
 - c. Reviewing the appropriateness of compliance risk assessment process, including that the process has considered historical sanction data.

Compliance Risk Management Implementation

Compliance risk management activities in 2024 were as follows:

1. Defining Risk Appetite Statement (RAS)
In 2024, Bank Mandiri defined its compliance Risk Appetite Statement (RAS) at 4 (four) violations per month. Throughout the year, the Bank received 2 (two) sanction per month, which was well below the RAS threshold.
2. Compliance Risk Assessment
Compliance risk assessment is carried out on a quarterly and semi-annual basis and submitted to the OJK as part of the Bank's Risk Profile Report. According to the self-assessment conducted in Quarter IV 2024, the Bank's compliance risk level was 2 (low to moderate). Several issues of concern for improvement were employees' compliance risk awareness, data quality, and monitoring of report submission to regulators.
3. Compliance Risk Mitigation
To mitigate compliance risk, the Bank has implemented several compliance programs:
 - a. Monitoring the Fulfillment of the Banks' Obligations on New Regulations
The Compliance Unit conducts Prudential Meetings on new regulations, monitors action plans that need to be carried out, and issues reminders on regulatory obligations to the relevant Units.
 - b. Control Testing Against High-Risk Activities
Control testing is carried out by the Senior Operational Risk Unit on high-risk activities. Where discrepancy with applicable regulations is identified, immediate actions are taken to prevent the Bank from suffering any losses.

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- c. Compliance Assessment Program
This program aims to increase compliance risk awareness of the risk owners on applicable compliance and regulation risks (according to their duties and responsibilities).
- d. Compliance Unit Competency Improvement Program
To increase understanding related to compliance risk management, the Company partners with an independent party to organize compliance training and certification for all Compliance Unit personnel.

Measures and Plans to Anticipate Compliance Risk

To improve compliance risk management, the following measures are taken:

- 1. Compliance Risk Management
 - a. Define compliance Risk Appetite Statement (RAS) and monitor sanctions/fines to ensure the appetite that has been set out are under control.
 - b. Improve compliance risk assessment parameters.
 - c. Improve reporting process on compliance function.
- 2. Improvement of compliance risk awareness
 - a. Conduct compliance assessment to improve employee understanding of the prevailing rules and regulations, particularly those related to duties and responsibilities.
 - b. Provide advice on compliance issues.
- 3. Strengthening monitoring on regulatory mandate fulfillment
 - a. Disseminate information on the issuance

of laws and regulations, or other policies or the results of legal analysis to the Bank's management and employees.

- b. Monitoring the work units' action plans relating to new regulations that have significant impacts.
- 4. Competency Building for Compliance Unit
To improve the quality of personnel in Compliance Unit, the Bank collaborates with independent parties to organize training and certification of compliance.

INTRA-GROUP TRANSACTION RISK MANAGEMENT

The management of Intra-Group Transaction Risk is carried out with Subsidiaries within Bank Mandiri's business group in alignment with the Bank's overall business strategy. This process aims to ensure that intra-group transactions are conducted responsibly and do not adversely affect the Bank's performance or the financial stability of its Subsidiaries.

Bank Mandiri identifies and analyzes activities that may increase exposure to Intra-Group Transaction Risk, particularly those that could influence operational, financial, and reputational performance. The identification process includes assessing the business activities of both Bank Mandiri and its Subsidiaries, with particular attention to the complexity and interconnectedness of transactions.

To effectively measure Intra-Group Transaction Risk, the Bank employs a combination of qualitative and quantitative approaches. This includes scenario analyses, risk exposure evaluations, and financial impact modeling. Regular monitoring is conducted to ensure ongoing compliance with established risk management policies and procedures.

TYPES OF RISKS AND ITS MITIGATIONS

INSURANCE RISK MANAGEMENT

Insurance risk arises from the inability of an insurance company to meet its obligations to policyholders due to inadequacies in underwriting, pricing, reinsurance usage, or claims handling.

Bank Mandiri manages this risk through its subsidiaries engaged in the insurance business, namely AXA Mandiri Financial Services and Mandiri Inhealth. But Mandiri Inhealth has no longer been a member of Mandiri Group Financial Conglomerates since 9 October 2024.

Bank Mandiri identifies and analyzes activities that may increase insurance risk exposure and impact the performance of the Bank. This risk identification process is tailored to the specific characteristics of the Subsidiaries' insurance business activities. To measure insurance risk, Bank Mandiri employs a combination of qualitative and quantitative approaches. These measurements are followed by periodic risk monitoring to ensure alignment with established procedures.

The assessment of the Integrated Insurance Risk Profile throughout 2024 was at Low to Moderate level. This reflects low potential loss faced by Financial Conglomerates due to Integrated Insurance Risk at a certain time in the future. The quality of the implementation of the Integrated Management of Insurance Risk is adequate, there are some weaknesses but these weaknesses can be resolved in the normal course of business.