

Risk Management Policy

PT. Bank Mandiri (Persero) Tbk.

As a manifestation of Bank Mandiri's commitment to implementing good corporate governance practices, the Bank proactively manages risk to achieve sound and sustainable financial and operational growth while maintaining an optimal risk-adjusted return in line with its established risk appetite.

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

The recovery of the global economy throughout 2024 is still marked by various uncertainties, such as the escalating conflict in the Middle East, the ongoing Russia-Ukraine war, and the trend of declining benchmark interest rates in several countries. As a result, global economic growth in 2024 is projected to be only 3.2%, which is the same as the growth rate in 2023. These factors increase the risks that the Bank must address, such as the potential rise in Non-Performing Loans (NPL), depreciation of the Rupiah against foreign currency exposure, and tight banking liquidity.

Bank Mandiri has internally conducted periodic stress testing, both individually and at integrated level with its subsidiaries, as a measure to anticipate the decline in macroeconomic stability based, on macroeconomic scenarios prepared by the Office of Chief Economist. In addition to internal stress testing, Bank Mandiri also participates in regulatory Bottom-up Stress Testing on a regular basis, which aims to obtain the Bank's assessment of regional banking resilience on potential challenges arising after pandemic recovery and hampered economic growth due to the ongoing factors triggering uncertainty mentioned above.


Bank Mandiri has updated its Recovery Plan to prevent, restore and improve the Bank's financial condition and business continuity in the event of financial stress, as stipulated in OJK Regulation No. 5 of 2024 concerning Determination of Supervisory Status and Handling of Commercial Bank Problems. The Recovery Plan prepared at least contains an analysis of the Bank's condition, line of business, office network and material subsidiaries of the Bank, the structure of the Bank's business group, the Bank's business linkages, scenario analysis of the impact of changes in the Bank's condition including crisis analysis scenarios (reverse stress testing) that can occur to the Bank idiosyncratic and market-wide shock, recovery options and Recovery Plan disclosure.

In 2024 Bank Mandiri has submitted a Resolution Plan document to the Deposit Insurance Corporation (LPS) as the resolution authority in Indonesia. The Resolution Plan is a document containing information about the Bank, which is in line with the Recovery Action Plan, as well as an analysis of the resolution strategy which is one of the considerations for LPS in handling or resolving the Bank which is designated as a Bank in Resolution. Banks are required to update the Resolution Plan every 2 (two) years if there is a change in financial condition of more than 20% of total assets, total liabilities, and/or total equity as of the date of the financial statements contained in the previous Resolution Plan, as stipulated in LPS Regulation No. 2 of 2024 concerning Resolution Plans for Commercial Banks.

The Basis Of Risk Management Implementation

In implementing risk management, Bank Mandiri strives to comply with and adheres to the prevailing laws and regulations in Indonesia such as:

1. Law No. 4 year 2023 on Financial Sector Development and Strengthening.
2. Regulation of the Minister of State-Owned Enterprise concerning Guidelines for Governance and Significant Corporate Activities of State-Owned Enterprises.
3. Financial Services Authority Regulation (POJK) No. 4/POJK.03/2016 dated 26 January 2016 concerning Assessment of Commercial Bank Soundness Rating.
4. OJK Regulation No. 18/POJK.03/2016 dated 16 March 2016 concerning the Implementation of Risk Management for Commercial Banks
5. OJK Regulation No. 17/POJK.03/2014 dated 18 November 2014 concerning the Implementation of Integrated Risk Management for Financial Conglomerates.
6. OJK Regulation No. 18/POJK.03/2014 dated 18 November 2014 concerning the Implementation of Integrated Governance for Financial Conglomerates.
7. OJK Regulation No. 26/POJK.03/2015 dated 11 December 2015 concerning the Obligation to Provide Integrated Minimum Capital for Financial Conglomerates.
8. OJK Regulation No. 42/POJK.03/2015 dated 23 December 2015 concerning the Obligation to Fulfil the Liquidity Coverage Ratio for Commercial Banks which is refined by OJK Regulation No. 19 year 2024 concerning Amendments to POJK No. 42/POJK.03/2015 concerning the Obligation to Fulfil the Liquidity Coverage Ratio for Commercial Banks
9. OJK Regulation No. 11/POJK.03/2016 dated 2 February 2016 concerning the Obligation to Provide Minimum Capital for Commercial Banks, which is refined by OJK Regulation No. 34/POJK.03/2016 concerning Amendments to POJK No. 11/POJK.03/2016 concerning the Obligation to Provide Minimum Capital for Commercial Banks.
10. OJK Regulation No. 38/POJK.03/2017 dated 12 July 2017 concerning the Implementation of Consolidated Risk Management for Banks that Control Subsidiaries.
11. OJK Regulation No. 50/POJK.03/2017 dated 17 July 2017 concerning the Obligation to Fulfill the Net Stable Funding Ratio for Commercial Banks Banks which is refined by OJK Regulation No. 20 year 2024 concerning Amendments to POJK No. 50/POJK.03/2017 concerning the Obligation to Fulfil the Net Stable Funding Ratio.
12. OJK Regulation No. 5 year 2024 dated 27 March 2024 concerning Determining Supervision Status and Managing Commercial Bank Issues.
13. OJK Regulation No. 12/POJK.03/2018 dated 8 August 2018 concerning the Implementation of Digital Banking Services by Commercial Banks as has been revoked and amended with OJK Regulation No. 21 of 2023 on Commercial Banks Digital Service.
14. OJK Regulation No. 32/POJK.03/2018 dated 27 December 2018 concerning the Legal Lending Limit and Large Exposures for Commercial Banks.
15. OJK Regulation No. 11/POJK.03/ 2019 dated 28 March 2019 concerning the Prudential Principle in Asset Securitization Activities for Commercial Banks.
16. OJK Regulation No. 31/POJK.03/2019 dated 2 December 2019 concerning the Obligation to Fulfill Gearing Ratio for Commercial Banks.
17. OJK Regulation No. 37/POJK.03/2019 dated 19 December 2019 concerning Transparency and Publication of Bank Statements.

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18. OJK Regulation No. 27 of 2022 dated 28 December 2022 concerning the Second Amendment to OJK Regulation No. 11/ POJK.03/2016 concerning Minimum Capital Adequacy Requirement for Commercial Banks.
 19. OJK Regulation No. 17/POJK.03/2023 dated 14 September 2023 concerning Implementation of Good Corporate Governance for Commercial Banks.
 20. Bank Indonesia Regulation No. 23/17/PBI/2021 dated 17 December 2021 concerning the Third Amendment to Bank Indonesia Regulation No. 20/4/PBI/2018 concerning Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units.
 21. . Bank Indonesia Regulation No. 24/16/PBI/2022 dated 31 October 2022 concerning the Fourth Amendment to Bank Indonesia Regulation No. 20/4/PBI/2018 concerning Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units.
 22. Bank Indonesia Circular Letter No. 9/31/ DPNP dated 12 December 2007 concerning Guidelines for the Use of Internal Capital in the Calculation of Capital Adequacy Ratio of Commercial Banks by Taking into Account Market Risks.
 23. OJK Circular Letter No. 14/SEOJK.03/2015 dated 25 May 2015 concerning the Implementation of Integrated Risk Management for Financial Conglomerates.
 24. OJK Circular Letter No. 15/SEOJK.03/2015 dated 25 May 2015 concerning the Implementation of Integrated Governance for Financial Conglomerates.
 25. OJK Circular Letter No. 34/SEOJK.03/2016 dated 1 September 2016 concerning the Application of Risk Management for Commercial Banks.
 26. OJK Circular Letter No. 23/SEOJK.03/2022 of 2022 on the Calculation of Weighted Assets according to Risk for Market Risk for Commercial Banks.
 27. OJK Circular Letter No. 24/SEOJK.03/2016 dated 14 July 2016 concerning Calculation of Risk-Weighted Assets for Operational Risk Using Basic Indicator Approach.
 28. OJK Circular Letter No. 13/SEOJK.03/2017 dated 17 March 2017 concerning the Implementation of Governance for Commercial Banks.
 29. OJK Circular Letter No. 14/SEOJK.03/2017 dated 17 March 2017 concerning Assessment of Commercial Bank Soundness Rating.
 30. OJK Circular Letter No. 43/SEOJK.03/2017 dated 19 July 2017 concerning The Prudential Principle and Reports in Implementing Consolidated Risk Management for Banks that Control Subsidiaries.
 31. OJK Circular Letter No. 48/SEOJK.03/2017 dated 15 September 2017 concerning Guidelines for Calculating Net Claims for Derivative Transactions Calculation of Risk-Weighted Assets for Credit Risk Using a Standardized Approach
 32. OJK Circular Letter No. 12/SEOJK.03/2018 dated 21 August 2018 concerning the Application of Risk Management and Risk Measurement of Standardized Approach to Interest Rate Risk in Banking Book for Commercial Banks.
 33. OJK Circular Letter No. 6/SEOJK.03/2020 dated 29 April 2020 concerning Calculation of RiskWeighted Assets for Operational Risk using Standardized Approach for Commercial Banks.
 34. OJK Circular Letter No. 24/SEOJK.03/2021 dated 7 October 2021 concerning Guidelines for Calculating Risk-Weighted Assets for Credit Risk Using Standardized Approach for Commercial Banks.

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35. Bank Indonesia Circular Letter No. 9/31/ DPNP dated 12 December 2007 concerning Guidelines for the Use of Internal Capital in the Calculation of Capital Adequacy Ratio of Commercial Banks by Taking into Account Market Risks
 36. Deposit Insurance Corporation Regulation No. 1 of 2021 dated 30 March 2021 concerning Resolution Plans for Commercial Banks as has been revoked and amended with the Deposit Insurance Corporation Regulation No. 2 of 2024 regarding the Resolution Plans for Commercial Banks.
 37. Deposit Insurance Corporation Circular Letter dated 25 October 2024 No. 3/ADK1/2025 concerning Guidelines and Format for the Preparation and Submission, Revision, and Updating of the Resolution Plan for Commercial Banks
 38. Deposit Insurance Corporation Regulation No. 2 of 2024 dated 5 September 2024 concerning Resolution Plans for Commercial Banks.
 39. Deposit Insurance Corporation Regulation No. 1 of 2021 dated 30 March 2021 concerning Resolution Plans for Commercial Banks.
 40. Decree of the Deputy for Finance and Risk Management of the Ministry of State-Owned Enterprises No. SK-6/DKU.MBU/10/2023 concerning Technical Instructions for the Risk Management and Aggregation Process in the State-Owned Enterprise Portfolio Risk Taxonomy.
 41. Decree of the Deputy for Finance and Risk Management of the Ministry of State-Owned Enterprises No. SK-7/DKU.MBU/10/2023 concerning Technical Instructions for Reporting Risk Management of State-Owned Enterprises.
 42. Decree of the Deputy for Finance and Risk Management of the Ministry of State-Owned Enterprises No. SK-8/DKU.MBU/10/2023 concerning Technical Instructions for Risk Maturity Index Assessment in State-Owned Enterprises.
 43. OJK Circular No. 11/SEOJK.01/2024 dated 2 October 2024 concerning Reporting and Requesting Debtor Information through the Financial Information Services System.
 44. OJK Circular Letter No. 16/SEOJK.03/2023 dated 19 October 2023 concerning Guidelines for Calculating Bank Exposure for Central Counterparty.


Bank Risk Management Policy

Bank Mandiri's risk management framework is guided by a comprehensive policy designed in alignment with regulations from Bank Indonesia (PBI), the Financial Services Authority (POJK), Basel standards, and global best practices. This policy is regularly reviewed to adapt to evolving business dynamics, regulatory updates, and internal developments. The cornerstone of this framework is the Risk Management Policy (KMNR), which outlines the core principles and serves as the highest authority for risk management at the Bank. KMNR acts as a reference point for developing procedures and guidelines, ensuring compliance with applicable regulations and reinforcing a robust risk management system.

Risk Management Principles

Bank Mandiri's Risk Management Principles are as follows:

1. Capital
Bank Mandiri provides capital according to the risk appetite and maintains the capital level in accordance with prevailing regulations.
2. Transparency
Bank Mandiri transparently conveys relevant information in the risk-taking process and the risk-taking process itself.

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3. Independence
The management of Bank Mandiri acts professionally and is free from the pressure and influence of other parties.
 4. Integrated
Bank Mandiri applies Integrated Risk Management to Financial Services Institutions that are members of the financial conglomerates of Bank Mandiri in accordance with regulatory provisions.
 5. Sustainable
Risk control is developed continuously to better fit with existing business conditions and best practices.
 6. Accountability
Bank Mandiri implements policies and procedures to ensure management accountability to stakeholders.
 7. Responsibility
Bank Mandiri acts on the prudential principle and in compliance with prevailing laws and regulations.
 8. Fairness
Bank Mandiri pays attention to the interests of stakeholders based on the principle of equality and fairness (equal treatment).

Risk Management Process

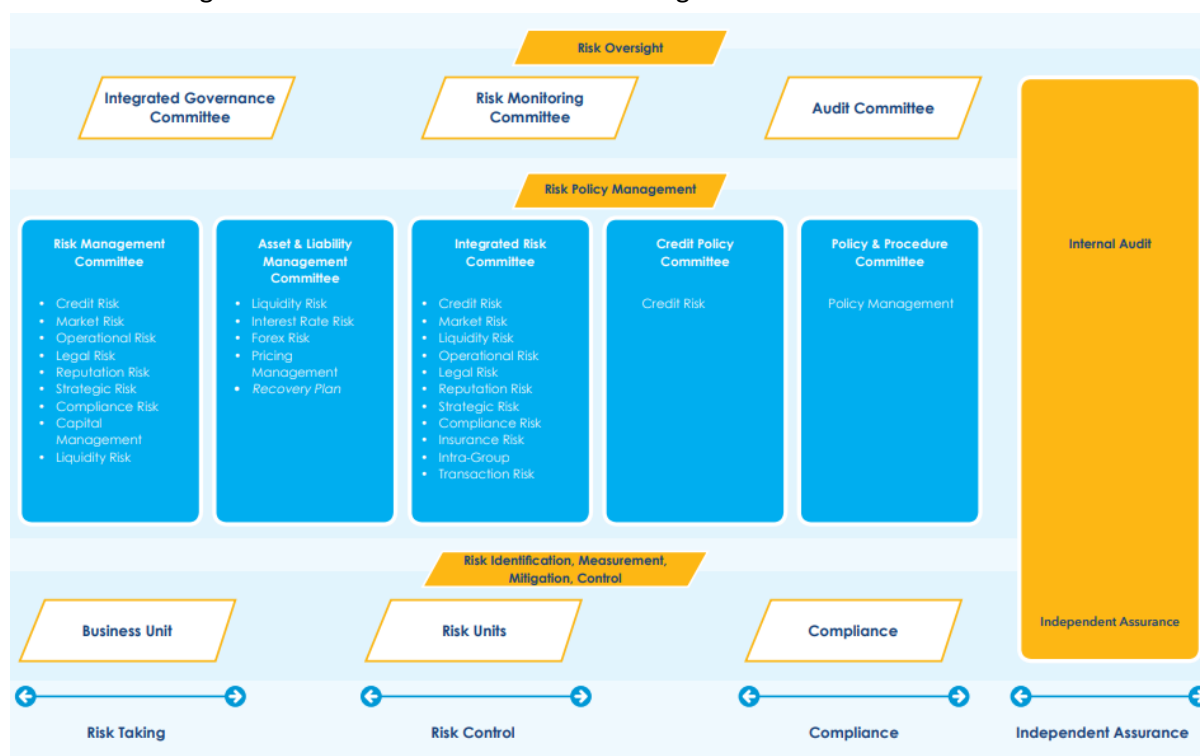
The Company's Risk Management process as stipulated in the Risk Management Policy is as follows:

1. Risk Management is carried out at all levels of the Bank up to the operational level both transactionally and at the portfolio level.
2. Risk Management is carried out individually and at consolidated/integrated level with the Subsidiaries, while taking into account the regulations and business characteristics of the Subsidiaries.
3. The Risk Management process is a dynamic process and is routinely compared to industry best practices and applicable regulations to be adjusted and updated when necessary.
4. The implementation of Risk Management is carried out in a series consisting of:
 - a. Risk Identification
Risk identification aims to determine the types of risks inherent in each functional activity that have the potential to harm the Bank.
 - b. Risk measurement
Risk measurement aims to determine the risk exposure inherent in the Bank's activities to be compared with the Bank's risk appetite, hence the Bank can take risk mitigation measures and determine capital to cover residual risk.
 - c. Risk monitoring
Risk monitoring aims to compare the set risk limits with the risk exposure that is being managed.
 - d. Risk Control
Risk control is carried out on the potential for the occurrence of overreach of the risk limit that has been set and can be tolerated by the Bank.

Risk Management Framework

Bank Mandiri's Risk Management Framework is structured within the Bank's Risk Governance Structure, comprising three key components: Risk Oversight, Risk Policy and Management, and Risk

Identification, Measurement, Mitigation, and Control. These elements are reinforced by the Audit Unit, as Independent Assurance to ensure the effectiveness of implementation. In essence, the framework and governance of Bank Mandiri's risk management can be summarized as follows:




Bank Mandiri's Risk Governance Structure is developed based on four Risk Management Pillars as follows:

Board of Commissioners and Board of Directors Active Supervision

The risk management framework and governance at Bank Mandiri are structured to ensure comprehensive oversight and execution. The Board of Commissioners oversees risks through the Audit Committee, Risk Monitoring Committee, and Integrated Governance Committee. The Board of Directors is responsible for risk policy and management, facilitated through risk-related Executive Committees, including Management Committee, Asset & Liability Management Committee, Integrated Risk Committee, Credit Policy Committee, dan Policy & Procedure Committee Capital & Subsidiaries Committee, and Integrated Risk Committee. Operationally, the Risk Management Unit, in collaboration with the Business Unit and Compliance Unit, carries out the functions of risk identification, measurement, mitigation, and control.

The duties, responsibilities, and authorities of the Board of Commissioners related to active supervision in Risk Management activities include, among others:

1. Evaluating and approval of Risk Management Policy;
2. Evaluating the prepared-and-determined strategies by the Board of Directors in managing risks according to the regulatory taxonomy and other risks such as country risk and cyber risk;
3. Evaluating the Board of Directors' responsibility for the implementation of the Risk Management Policy;
4. Evaluating and deciding the Board of Directors' application related to transactions that require the approval of the Board of Commissioners;
5. Requesting explanation and/or accountability of the Board of Directors on Financing to certain large borrowers;
6. Providing approval on the funding to related parties;

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7. Conducting active oversight, including, among others, understanding the nature and level of risks faced by the Bank, assessing the adequacy of the quality of risk management and linking the risk level with capital adequacy of the Bank;
 8. Conducting active supervision related to anti Fraud which at least includes the following:
 - a. Development of anti-Fraud awareness and culture in all levels of the organization, including anti-Fraud declarations and adequate communication on behavior categorized as Fraud;
 - b. The signing of integrity pact by all organizational ranks of the Bank;
 - c. Preparation and supervision of the implementation of a code of conduct related to fraud prevention for all levels of the organization;
 - d. Preparation and supervision of the implementation of an anti-Fraud strategy as a whole;
 - e. Development of the quality of human resources (HR), particularly those related to increasing awareness and control of Fraud;
 - f. Monitoring and evaluation of Frauds and determination of follow-up; and
 - g. Development of effective communication channels for the Bank's internal and external parties, hence all executives and employees of the Bank understand and comply with the applicable policies and procedures, including policies and procedures for fraud control.
 9. Providing approval, oversight and evaluation on the implementation of the Action Plan (Recovery Plan).
 10. For Resolution Plan, the Board of Commissioners shall:
 - a. Approve the Resolution Plan;
 - b. Supervise the Bank's fulfillment in compiling, updating, and/or improving the Resolution Plan to the Deposit Insurance Corporation;
 - c. Evaluate the Resolution Plan that has been prepared by the Board of Directors;
 - d. Supervise the implementation of plans to overcome potential obstacles to the implementation of resolution options.
 11. Maintaining and monitoring the Bank's Soundness Rating and take the necessary measures to maintain and/or improve the Bank's Soundness Rating;


To implement risk management as mandated by the Ministry of SOEs, the Board of Commissioners is responsible for determining the Bank's Risk Classification based on the level of Risk Intensity. This assessment considers the Bank's size and complexity dimensions, as proposed by the Board of Directors, in compliance with applicable regulations

To implement Integrated Risk Management, the Board of Commissioners is responsible to:

1. Direct, approve, and evaluate Integrated Risk Management policies;
2. Evaluate the implementation of Integrated Risk Management policies by the Board of Directors of the Main Entity
3. Ensure the implementation of Integrated Risk Management is in accordance with the characteristics and complexity of the Financial Conglomeration business.

The duties, responsibilities, and authorities of the Board of Directors related to Risk Management activities include:


1. Developing and proposing Risk Management policies and strategies in writing and comprehensively;
2. Responsible for the implementation of the Risk Management Policy and risk exposure taken by the Bank as a whole;
3. Evaluating and deciding transactions that require the approval of the Board of Directors;
4. Developing a culture of Risk Management at all levels;

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5. The active supervision of the Board of Directors related to anti-Fraud is the same as that of the Board of Commissioners as stated in the duties and responsibilities of the Board of Commissioners;
 6. . Ensuring the improvement of human resource competencies related to Risk Management;
 7. Ensuring that the Risk Management function has operated independently;
 8. Ensuring that the Risk Management function has operated independently;
 - a. Accuracy of risk assessment methodology;
 - b. Adequacy of Risk Management information system implementation;
 - c. Accuracy of Risk Management policies and procedures, as well as setting risk limit and/ risk threshold
 9. Conducting active supervision includes, among others, understanding the nature and level of risks faced by the Bank, assessing the adequacy of the quality of risk management, and linking the risk level with capital adequacy of the Bank;
 10. Developing and implementing the Bank's Recovery Plan, which includes:
 - a. Developing a realistic and comprehensive Recovery Plan;
 - b. Submitting the Recovery Plan to shareholders at the GMS for approval;
 - c. Communicating the Recovery Plan to all ranks or levels of the Bank's organization;
 - d. Evaluating and testing (Stress Testing) the Action Plan (Recovery Plan) periodically; and
 - e. Implementing the Recovery Plan effectively and in a timely manner.
 11. Developing and implementing a Resolution Plan which includes:
 - a. Preparing, updating, and/or making improvements to the Resolution Plan;
 - b. Ensuring the accuracy and completeness of data, information, and/or documents in compiling, updating, and/or improving the Resolution Plan, which is submitted to the Deposit Insurance Corporation;
 - c. Submitting a Resolution Plan to the Board of Commissioners and Shareholders at the General Meeting of Shareholders for approval;
 - d. Submitting a Resolution Plan, updating and/or improving the Resolution Plan to the Deposit Insurance Corporation in accordance with the predetermined time limit;
 - e. Implementing plans to overcome potential obstacles to the implementation of resolution options.
 12. Maintaining and monitoring the Bank's Soundness Rating and take the necessary measures to maintain and/or improve the Bank's Soundness Rating;
 13. Implementing other Risk Management functions in accordance with laws and regulations, articles of association, and/or decisions of the General Meeting of Shareholders (RUPS)/ Minister of State-owned Enterprises (SOEs).

To comply with risk management regulations set by the Ministry of SOEs, the Board of Directors is responsible for classifying subsidiary company risks based on the level of risk intensity. This classification considers the dimensions of size and complexity in alignment with applicable regulations.

To implement Integrated Risk Management, the Board of Directors is responsible to:

1. To implement Integrated Risk Management, the Board of Directors is responsible to:
2. Implement the established Integrated Risk Management Policy;
3. Develop a risk culture as part of the implementation of Integrated Risk Management in Financial Conglomerates;
4. Ensure the effectiveness of human resource management which includes the competence, qualifications, and adequacy of human resources in the Main Entity to carry out the Integrated Risk Management function;

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5. Ensure that the implementation of Integrated Risk Management has been carried out independently;
 6. Periodically evaluate the results of the Integrated Risk Management Unit review of the Integrated Risk Management process;
 7. Ensure the implementation of Integrated Risk Management in accordance with the characteristics and complexity of the Financial Conglomerates business.

To enhance the effectiveness of supervisory duties and responsibilities in implementing Risk Management, the Board of Commissioners and the Board of Directors may establish committees in accordance with applicable regulatory provisions.

Bank Mandiri's risk management organization consists of:

1. Board of Commissioners
2. Committee under the Board Commissioners
3. Board of Directors
4. Committee under the Board of Directors
5. Director in charge of Risk Management function;
6. Risk Management Unit (SKMR);
7. Operational Unit (risk-taking unit);
8. Internal Audit Unit (SKAI);
9. Compliance Unit.

The Risk Management Unit (SKMR), the Internal Audit Unit (SKAI) and the Compliance Unit concurrently serve as an Integrated Unit.

Adequacy of Policies, Procedures, and Limits Setting

Bank Mandiri implements risk management guided by its Risk Management Policy, which serves as the primary framework for managing risks. For specific business areas such as credit, treasury, and operations, the Bank has detailed policies and procedures that define limits for activities at both the portfolio and transactional levels. These policies and procedures are integrated into every aspect of the Bank's operations, evaluated, and updated annually. In line with SEOJK 34/SEOJK.03/2016 on the Implementation of Risk Management for Commercial Banks, the Bank's policies and procedures are based on a Risk Management Strategy by taking into account the level of risk to be taken (Risk Appetite). Risk Appetite represents the type and level of risk the Bank is willing and able to take, within its risk capacity, to achieve or exceed its business objectives.

Bank Mandiri's Risk Appetite is manifested through the Risk Appetite Framework which is a strategic decision-making that describes Bank Mandiri's risk strategy. Risk Appetite is reflected in the Bank's business strategy and objectives.

Risk appetite is articulated through a Risk Appetite Statement (RAS), which is a formal guideline in the risk-taking process to achieve business targets. RAS is pivotal because it will provide clear and consistent direction to all levels of Bank Mandiri on the Bank's risk-taking ability.

Adequacy of Risk Identification, Measurement, Monitoring, and Control Processes, as well as Risk Management Information Systems

Bank Mandiri conducts Risk Identification, Measurement, Monitoring, and Control processes, as well as operates its Risk Management Information System, through the Enterprise Risk Management (ERM) framework. The ERM implementation at Bank Mandiri employs a two-pronged approach to ensure that risks are not only well mitigated through daily business processes, but also in unexpected conditions (downturns) through capital reserves.



Internal Control System

Bank Mandiri implements an Internal Control System for its Risk Management function through the Three Lines Model, where responsibilities are shared among the first, second, and third lines of defense.

The Internal Audit Unit, as the third line, conducts assurance and consulting activities to evaluate the adequacy of the Bank's internal control system, risk management, and governance processes, in compliance with applicable laws, regulations, and Bank policies.

Integrated Risk Management Implementation


Bank Mandiri has been implementing consolidated/integrated risk management since 2008, inline with the issuance of Bank Indonesia Regulation No. 8/6/PBI/2006 on the Implementation of Consolidated Risk Management for Banks that Control Subsidiaries. In its development, the regulation was replaced by Financial Services Authority Regulation No. 38/POJK.03/2017 on the Implementation of Consolidated Risk Management for Banks that Control Subsidiaries. In addition, Bank Mandiri has also been implementing integrated risk in accordance with Financial Services Authority Regulation No. 17/POJK.03/2014 on the Implementation of Integrated Risk Management for Financial Conglomerates. In the implementation of integrated risk management, Bank Mandiri is also guided by the Integrated Good Corporate Governance Guidelines, which comply with Financial Services Authority Regulation No. 18/POJK.03/2014 on the Implementation of Integrated Good Corporate Governance for Financial Conglomerates.

The implementation of Consolidated/Integrated Risk Management is in line with integrated risk management principles, business characteristics of subsidiaries, and regulations. The subsidiaries of Bank Mandiri include Bank Syariah Indonesia, Bank Mandiri Taspen, Bank Mandiri (Europe) Ltd, Mandiri Tunas Finance, Mandiri Utama Finance, AXA Mandiri Financial Services, Mandiri Inhealth, Mandiri Sekuritas, Mandiri Capital Indonesia and Mandiri International Remittance. However, Mandiri Inhealth has no longer been a member of Mandiri Group Financial Conglomerates since 9 October 2024.

As an active supervision of the Main Entity towards the implementation of Consolidated and Integrated Risk Management, Bank Mandiri has established the Integrated Risk Committee (IRC), consisting of the Board of Directors and Executives of the Bank with the Board of Directors and/or Executives of Subsidiaries as well as the Integrated Risk Management Unit (SKMRT), which is directly responsible to the Director of Risk Management.

Bank Mandiri actively conducts integrated identification, measurement, monitoring, and control of Mandiri Group (self-assessment) risk exposures by reporting this following assessment:

1. The Consolidated Bank Soundness Level with risk-based approach/Risk-Based Bank Rating (RBBR), with the assessment scope covering the following factors: Risk Profile, Integrated Good Corporate Governance, Earnings and Capital, at consolidated level. During 2024, Bank Mandiri has reported Consolidated Bank Soundness Level for the position of 31 December 2023 and 30 June 2024 to the Regulator in a timely manner.
2. The Consolidated Risk Profile, which is performed on 8 (eight) risks (Credit, Market, Liquidity, Operational, Legal, Strategic, Compliance, and Reputation Risk). During 2024, Bank Mandiri has reported the Consolidated Risk Profile for the position of 31 December 2023 and 31 March, 30 June, and 30 September 2024 to the Regulator in a timely manner.
3. The Integrated Risk Profile, which is performed on 10 (ten) risks (8 types of risks that are stated in point 2 plus Intra-Group Transaction and Insurance Risks). During 2024, Bank Mandiri has reported the Integrated Risk Profile for the position of 31 December 2023 and 30 June 2024 to the Regulator in a timely manner.



To support the assessment and reporting process, Bank Mandiri has been using integrated risk management information system, namely Risk Assessment Consolidation Generator (RACER) System.

The assessment of Consolidated/Integrated Risk Profile and Consolidated Bank Soundness Level are recommended by the Integrated Risk Committee (IRC) and the approval are provided by the Risk Management & Credit Policy Committee (RMPC) Category A. The assessment of the Consolidated/Integrated Risk Profile and Consolidated RBBR, which have been approved by the RMPC are then reported to the Regulator and to the Integrated Good Corporate Governance Committee.

Building Risk Awareness Culture

To realize its vision of being “Your Preferred Financial Partner,” Bank Mandiri fosters a risk-awareness culture across all operational and business activities, ensuring potential risks are mitigated to safeguard business continuity. This culture is instilled at all levels, from top management to junior staff. The Board of Directors and Board of Commissioners have established a Risk Appetite Statement (RAS), defining the risk levels the Bank is prepared to tolerate. RAS indicates the Bank’s risk tolerance capacity and is developed to help the Bank achieve its business objectives. RAS informs business decision-making, and its implementation is intensively monitored.

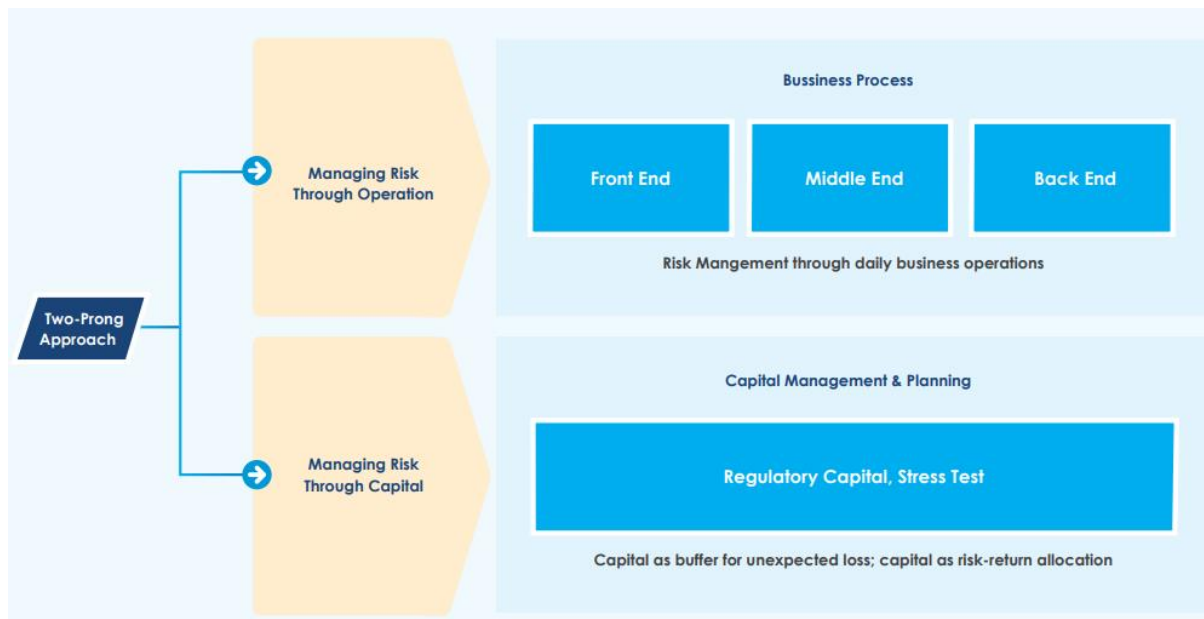
The Bank integrates risk-awareness into product and technology development by adhering to its Risk Management System. Before launching or implementing any product or service, risk assessments and mitigation measures are thoroughly evaluated. This approach is also reflected in the Bank’s internal policies and technical guidelines, ensuring a consistent focus on sustainability.

A strong risk-awareness culture requires the support of the entire organization. Bank Mandiri integrates this risk-awareness into its corporate culture internalization program. The AKHLAK core values, as Bank Mandiri’s foundation, are applied to ensure they become a daily attitude in the workplace. Every employee is expected to pursue business growth while carefully considering risk. Employees are encouraged to drive sustainable growth with a focus on risk awareness to ensure long-term resilience.

Effective communication strategies play a vital role in building risk-awareness. Bank Mandiri employs a variety of adaptive and sustainable communication channels to reach all employees. These channels are used comprehensively to cultivate a culture of risk-awareness within an open, efficient, and effective risk management framework.

Bank Risk Management

To maximize shareholder value, Bank Mandiri implements an integrated risk management approach through the Enterprise Risk Management (ERM) framework. This framework connects strategic planning, risk appetite, execution, risk assessment, and performance evaluation into a cohesive process. The goal is to deliver added value for the Bank and its shareholders while achieving the objectives outlined in the Corporate Plan. At Bank Mandiri, ERM is applied using a two-pronged approach: managing risks through capital allocation and managing risks through operational activities, as depicted in the following diagram.



In the application of the two-prong approach, there are 4 (four) main components that function as supporting pillars, including:

1. Organizational & Human Capital

The Risk Management Unit (SKMR) at Bank Mandiri is responsible for managing all risks faced by Bank Mandiri, including the development of supporting tools required in business and risk management. Moreover, there is a work unit acting as a risk counterpart of every business unit in the four-eye process of lending. Realizing that risk management is the responsibility of all work units at Bank Mandiri, the success of risk management is determined by risk awareness in all Bank Mandiri work units accompanied by adequate technical capabilities. As such, Bank Mandiri always improves the capabilities and knowledge of all employees, particularly in terms of risk management, by organizing regular internal training through the Risk Management Academy or through the use of expatriates in the area of risk management, hence there is a transfer of knowledge to Bank Mandiri employees. Bank Mandiri also regularly holds socialization at least once a year, discussion forums, internships, and programs on risk management that are in line with the internalization of corporate culture.

The Risk Management structure at Bank Mandiri consists of the Risk Management Directorate in charge of Independent Risk Management and Credit Approval Risk units comprising Wholesale Risk and Retail Risk. The Risk Management Directorate is led by the Director of Risk Management assisted by SEVP of Wholesale Risk.

2. Policies and Procedures

The Risk Management Policy (KMNR) is set as the main guidelines on the implementation of risk management at the operational level and the capital management at the Bank covering:

- Prudential Principle, which entails capital adequacy, fulfillment of prevailing laws and regulations, and an early warning system.
- Risk Management, which entails Risk Appetite, Risk Profile, Bank Soundness Rating, Stress Testing, Recovery Plan, and Resolution Plan, as well as Integrated Risk Management.
- Risk Management for each type of risks, which entails processes of risk identification, measurement, oversight, and control.
- Risk Oversight, which entails monitoring of activities/ methodologies of risk management at Bank Mandiri, and the Internal Control System.

This Risk Management Policy is the basis for making procedures and technical guidelines concerning risk management at Bank Mandiri.

3. System & Data

The risk management system is developed to support more efficient business processes so that decision-making is faster yet prudent. To maintain integrity and data quality, Bank Mandiri has adopted an Integrated Processing System and a Loan Origination System to increase the efficiency of credit processes and maintain data quality in the Corporate, Commercial, and Retail segments. To increase collection productivity level particularly in the Consumer and Retail segments, the Bank adopts an Integrated Collection System. Bank Mandiri utilizes Summit System and New Treasury Core System (NTCS) to manage risks in the trading book and Fundamental Review of the Trading Book (FRTB) and Ambit Focus System to manage banking book risks in the activities of treasury and assets & liabilities management.

To assess the Risk Profile and the Soundness Level of Mandiri Group at individual and consolidated/integrated levels, the Bank has adopted a web-based tool called Risk Assessment Consolidation Generator System (RACER) so that the risk assessment processes are more effective, efficient, accurate, and accountable and that the authorized access to the system is maintained.

4. Methods/Model & Analytics

Bank Mandiri has continuously implemented a risk measurement that adheres to international best practices by using quantitative and qualitative methods and developing risk models such as rating, scoring, Value at Risk (VaR), portfolio management, stress testing, and others as support for judgmental decision making.

Periodically, available models are validated by an independent Unit Model Validator to ensure the quality and validity of such models. These risk models are managed through a model risk management framework inherent in the function of the Model Governance Guiding Unit. The management of model risk is done to ensure control over every component in the model used in business processes and decision making. This model management framework includes:

a. Model Inventory

Through the model inventory, an inventory of the existing models is carried out at Bank Mandiri. This model inventory includes information related to the model including a description of the model's statistical results, the purpose of using the model, model owner, model developer, model user, validation results, and model-related documentation. In addition, in the model inventory system, we will be able to identify if a model is in a certain model cycle according to the Model Lifecycle, including model initiation, model development, model validation, model implementation, model use and model monitoring.


b. Model Risk Assessment

An assessment of the level of risk of the models based on quantifiable observations about the materiality and complexity of the models.

c. Model Control

The process of monitoring of models and control over models constitutes a continuous assessment. The control process is done by validating models based on first-time validation or ongoing validation. The first-time validation is validation conducted for the first time after the model development process takes place to ensure that the developed models adhere to academic requirements, best practices, and regulatory requirements. The ongoing validation is validation conducted periodically to ensure the performance of models.

With the adoption of the model management framework, there is a segregation of duties between the first line (model owner, model developer, and model user), the second line (model validator and model management guiding unit), and the third line (Internal Audit) based on three-line models.



Bank Mandiri also continues to implement Basel II, III, and ERM in compliance with the Financial Services Authority and the BCBS (Basel Committee on Banking Supervision) as well as the best practices, which cover Credit Risk, Market Risk, Liquidity Risk, Interest Rate Risk on Banking Book Position, Operational Risk, Capital Management, and Internal Capital Adequacy Assessment Process (ICAAP), as well as Stress Testing and Recovery Plan.