



| Types of Risks | The Level of Inherent Risk | The Level of Risk Management Implementation Quality | The Rank of Risk Level |
|-------------------------|----------------------------|---|------------------------|
| Credit Risk | Moderate | Satisfactory | Low to moderate |
| Market Risk | Low | Strong | Low |
| Liquidity Risk | Low | Strong | Low |
| Operational Risk | Moderate | Satisfactory | Low to moderate |
| Legal Risk | Low | Strong | Low |
| Strategic Risk | Low | Strong | Low |
| Compliance Risk | Low to moderate | Strong | Low |
| Reputation Risk | Low | Satisfactory | Low |
| Composite Rating | Low to moderate | Strong | Low |

The Evaluation of Risk Management Systems

Bank Mandiri constantly evaluates the effectiveness of the risk management systems. The evaluation entails adjusting the strategy and the framework of risks as the constituent of risk management policies, considering the adequacy of risk management information systems and the adequacy of risk identification, measurement, monitoring and control processes.

One form of evaluation on risk management policy is an annual evaluation of Management Policy Risk and Standard Procedure. The Board of Commissioners has an active role in the implementation of management system evaluations risk by reviewing the results of evaluations conducted by the Board of Directors as the organ responsible for effectiveness of implementing a risk management system. The results of the annual evaluation indicate that risk management is at Bank Mandiri during 2018 **was adequate**.

Internal Control System

The Internal Control System (ICS) refers to a monitoring mechanism which is established by the company's management on an on-going basis. An effective ICS is an important component in the company management and becomes the foundation of the company operational activities which are proper and secured. An effective ICS can help the Board of Commissioners and Directors in safeguarding the assets of the company, ensuring the availability of credible financial and managerial reporting, increasing the company's compliance with laws and regulations, and decreasing the risk of loss, deviation, and violations of prudential aspects. The application of ICS in the company refers to the Internal Control Policy (ICP).

As a process executed by all levels of the company's organization, ICS is applied in the strategy setting in all work units, and it is designed to capably identify the plausible occurrence of an event that can impact the company, to manage risk in order to still remain within the risk appetite, and to provide adequate confidence in order to achieve the company goals.

The Objectives of Controls

The objectives of implementing an effective ICS are classified into 4 (four) main objectives as follows:

1. The Compliance Objective

It is to ensure that all of the company's business activities have been undertaken resting upon the applicable laws and regulations, both the provisions issued by the Government, the Banking Supervision Authority, the Capital Market Authority and the company's internal policies, provisions, as well as procedures.

2. The Information Objective

It is to provide accurate, complete, on-time, and relevant information required in an effort to make appropriate and accountable decisions, including financial and non-financial reports needed by both internal and external parties of the company.

3. The Operational Objective

It is to enhance the effectiveness and efficiency in using assets and other resources as well as to protect the Bank from the risk of losses including those on account of fraud event.