RISK PROFILE AND THE MANAGEMENT

There are 10 (ten) types of risk that must be managed at least by Bank Mandiri on a consolidated basis, namely:

No.	Risk Type	Explanation
1.	Loan Risk	Loan Risk is a risk due to the failure of the debtor and / or other parties to fulfil obligations to the Bank. concentration of credit risk is included in the Credit risk.
2.	Market Risk	Market Risk is a risk in balance sheet and administrative ac-count positions including derivative transactions, due to over-all changes in market conditions, including the risk of changes in option prices.
3.	Liquidity Risk	Liquidity Risk is a risk due to the inability of the Bank to meet maturing obligations from cash flow funding sources and/or from high-quality liquid assets that can be pledged, without disrupting the Bank's activities and financial condition.
4.	Operational Risk	Operational Risk is the risk due to insufficiency and / or non-functioning of internal processes, human errors, system fail-ures, and / or external events that affect the Bank's opera-tions.
5.	Legal Risk	Legal Risk is the risk due to legal demands and / or weakness-es in the juridical aspect.
6.	Reputation Risk	Reputation Risk is the risk due to a decrease in the lev-el of stakeholder confidence that comes from negative perceptions of the Bank.
7.	Strategic Risk	Strategic Risk is risk due to inaccuracy in making and/or im-plementing a strategic decision and failure to anticipate changes in the business environment.
8.	Compliance Risk	Compliance Risk is a risk due to the Bank not complying with and/or not implementing the applicable laws and regulations.
9.	Intra-Group Transaction Risk	Intra-Group Transaction Risk is the risk due to the depend-ence of an entity both directly and indirectly on other entities in a Financial Conglomeration in order to fulfil written and unwritten agreement obligations followed by transfer of funds and/or not followed by transfer of funds.
10.	Insurance Risk	Insurance risk is a risk due to failure of insurance companies to fulfil obligations to policyholders as a result of insufficient risk selection (underwriting) processes, pricing, reinsurance use, and/or claim handling.

MANAGEMENT OF RISK

CREDIT RISK

The process of managing Bank Mandiri’s loan for the Wholesale segment begins with determining the target market through the Portfolio Guideline that sets Industry Classification (attractive, neutral, selective) and the appropriate industry limits, and selects and filters target customers through Industry Acceptance Criteria and Name Clearance, to produce pipelines quality debtor. The next process is to conduct a credit risk assessment using a series of credit risk tools (credit risk rating, spreadsheets, CPA, NAK, etc.) which are then decided by the Authority to Decide Credit (through Credit Committee Meetings) with a four-eyes principle that involves Business Units and Credit Risk Management Unit independently.

After the credit disbursement process, credit risk and potential debtor failures must always be monitored and detected early (Early Warning Signals) using watchlist tools and if the debtor becomes problematic then an account strategy needs to be implemented which includes collection, recovery and restructuring activities.

For the Retail segment, because it is a mass market, the credit process is carried out more automatically using a credit risk scorecard, referring to the Risk Acceptance Criteria of each product, and processed through an automated work flow (loan factory). The monitoring process is carried out in a portfolio manner through the Portfolio Quality Review, which can be continued with the collection and recovery process for the problematic portion of the portfolio.

To anticipate the deterioration of macroeconomic conditions, what-if analysis of the wholesale and retail portfolios is carried out through the process of stress testing and sensitivity analysis using certain macroeconomic scenarios.
In channeling its credit, Bank Mandiri always prioritizes the principle of prudence by placing a credit analysis function carried out by an independent business unit and credit risk unit. Bank Mandiri is always guided by the Credit Policy (KPKD) in managing credit risk end-to-end. Operationally, this policy is outlined in the form of Credit Procedure Standard (SPK) and Product Manual.

In implementing credit concentration risk management at the debtor level, Bank Mandiri consistently monitors the Legal Lending Limit (LLL) and the application of Management Limit and Value Chain Limit for large business groups. In general, the credit process and credit risk management at Bank Mandiri have been carried out end-to-end and integrated by the Business Unit, Credit Operation Unit and Credit Risk Management Unit.
The Bank periodically reviews and refines credit policies in general, credit procedures per business segment and risk management tools. The work guidelines referred to provide a complete guide to credit risk management, to identify risks, measure and mitigate risks in the end-to-end lending process starting from determining the target market, credit analysis, approval, documentation, credit withdrawal, monitoring / supervision, until the completion process problem loans / restructuring.

To enhance the social role and concern of the Bank for environmental risks and as a form of the implementation of the principle of responsibility in good corporate governance, Bank Mandiri has prepared Technical Guidelines for Environmental and Social Analysis in Providing Loans which is used as a reference in conduct environmental analysis in the analysis of credit granting. This is in line with the efforts made by Bank Indonesia, where in the Bank Indonesia Regulation concerning the Assessment of Asset Quality for Commercial Banks it is stipulated that the assessment of the debtor's business prospects is also related to the debtor's efforts to preserve the environment.
In addition, Bank Mandiri has begun implementing sustainable banking through the implementation of the Sustainable Financial Action Plan (RAKB) in order to develop business processes and portfolios by considering ESG factors (environment, social, governance).

In principle, credit risk management is applied at the transactional and portfolio levels. At the transactional level, a four-eyes principle is applied, namely each termination of credit involves the Business Unit and the Credit Risk Management Unit independently to obtain objective decisions. The four-eyes principle mechanism is carried out by the Credit Committee in accordance with the authority limit where the credit termination process is carried out through the Credit Committee Meeting mechanism.
Credit risks from debtors and products have been covered and reserved through CKPN, which is currently calculated based on PSAK 55 (as of January 1, 2020 will refer to PSAK 71), and monitored through the cost of credit indicator.

MARKET RISK

Market risk management is carried out by an independent working unit by implementing the segregation of duties principle, namely the separation of functions and responsibilities consisting of front office, middle office, and back office. Organization of Market Risk Management consists of two parts, i.e. Market Risk Management - Trading Book and Market Risk Management - Banking Book.

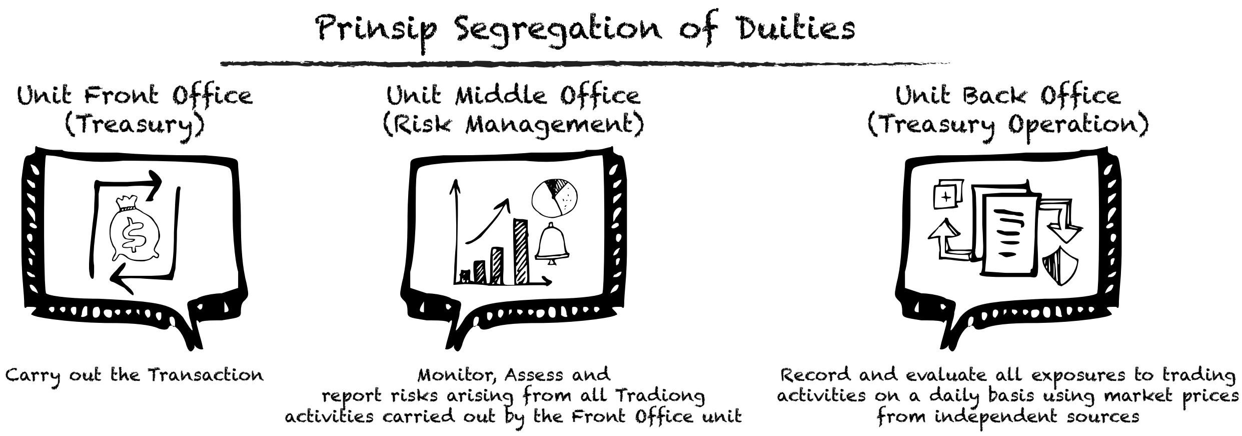
The framework and governance of market risk management in Bank Mandiri adheres to the three layers of defence, which consists of:

a. The Board of Commissioners has the function of overseeing market risk (risk oversight) through the Risk Monitoring Committee, Integrated Governance Committee and Audit Committee.
b. Directors who carry out the risk policy function through the Executive Committee related to market risk management and recovery plan, namely the Assets & Liabilities Committee and Risk Management Committee.
c. Working Unit of Risk Management together with business unit and compliance unit carry out the functions of risk identification, risk calculation, risk monitoring and risk control.

Risk Management Framework of Bank Mandiri is developed based on internal and external factors including but are not limited to bank business, regulatory provisions, development of methodologies and best practices, as well as risk data. Authority and responsibility related to the implementation of risk management are regulated in the Risk Management Policy (KMNR). Whereas for guidance in implementing market risk management both the trading book portfolio and the banking book are regulated in the Treasury Procedure Standard (SPT) and the Asset Procedure & Liability Management Standard.

MANAGEMENT AND MECHANISM OF MARKET RISK MEASUREMENT – TRADING BOOK

Trading book market risk is a risk arising from potential losses due to banking book activities, including changes in interest rates and exchange rates (including derivative instruments). Bank Mandiri's market risk management is carried out by applying principles of segregation of duties, which is to separate the functions and responsibilities independently of the treasury work unit trade transactions, which consist of:



MANAGEMENT AND MECHANISM OF MARKET RISK MEASUREMENT – BANKING BOOK

The banking book market risk is a risk that arises because of changes in interest rates and exchange rates for banking book activities that can affect the Bank's profitability (earnings perspective) and economic value of Bank capital (economic value perspective). Management of the Bank Mandiri banking book market risk is carried out by optimizing the balance sheet structure to obtain maximum returns in accordance with the level of acceptable risk. In addition, also by setting limits that refers to internal provisions and applicable laws and regulations provisions which is monitored weekly and monthly by the relevant work unit.

LIQUIDITY RISK

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

1. Establish limits that refer to internal provisions and applicable laws and regulations provisions.
2. Perform periodic liquidity risk stress testing to determine the impact of changes in market factors and internal factors on extreme conditions (crises) on liquidity conditions.
3. Arrange and conduct periodic reviews of the Liquidity Contingency Plan (LCP) and Recovery Plan that regulate the Company's procedures to encounter deteriorating liquidity conditions including alternative funding strategies, including through alternative funding strategies among others through sale/purchase transactions of FX Money Market instruments and Interbank Securities Repo, Government Bond sales, use of Bank Indonesia Standing Facility and repo of Bank Indonesia securities. Determination of liquidity conditions and funding strategies in the LCP and Recovery Plan has considered internal and external conditions.
4. Monitor external indicators including the Jakarta Interbank Offered Rate (JIBOR), USD Interbank, Rupiah interest rate, spread between Return on Investment (ROI) compared to UST, Outstanding IDR banking Liquidity, USD/IDR exchange rate, spread loan default swaps (CDS), Composite Stock Price Index (CSPI), as well as current market information. This monitoring aims to increase awareness of economic conditions that are less stable, both due to the conditions of the global crisis and due to various domestic issues.

OPERATING RISK

Operating Risk may trigger other risks such as Reputation Risk, Strategic Risk, Legal Risk, Market Risk, Credit Risk, Compliance Risk, and Liquidity Risk. If a Bank can manage Operating Risk effectively and consistently, the possibility of other risks can be minimized. Operating Risk is inherent in any operating product/activity/process of the Company in the management of the organization. The ultimate responsibility of the Risk Owner Work Unit as the risk and control owner is to ensure good risk management process, thus reducing risk potential.

In order to implement effective Operational Risk Management, Bank Mandiri developed a methodology of identification, measurement, control/mitigation and monitoring of operational risk exposures utilized in each Working Unit. In addition, Bank Mandiri has also developed a management information system that is tailored to the characteristics, activities and complexity of the Company's business activities.

Operational Risk Management is carried out through 4 (four) stages as follows:

1. Risk Identification, i.e. the process of identifying potential risk inherent in a product/activity/ process by considering internal and external factors, including identifying control to be used for mitigation.
2. Risk Assessment, i.e. the process of assessing that considers potential impact and likelihood of a risk. This assessment aims to determine which risk is more material/significant compared to others in order that more focused control measures can be developed. Moreover, an assessment is also undertaken towards control through control testing to determine if the control design determined in the Bank's applicable provision has been implemented effectively (operating effectiveness) and/or still can be used effectively(design effectiveness)
3. Risk Monitoring, i.e. the process of monitoring risks that have been identified and assessed in terms of likelihood. Monitoring is undertaken all the time in each work unit by their respective members several times and collectively up to the work unit head through a work process that has been designed in the applicable provision. This includes monitoring of existing indicators or early warning system or instrument/reporting.
4. Risk Control and Mitigation, i.e. the process of controlling and mitigating risks prior to their occurrence by implementing the applicable provisions and/or follows-up (action plan) to control shortcomings (thus potentially resulting in risks) in the process of control and follows-up on an incident. This process aims to ensure that residual risks for the Bank are maintained at a minimal level. Control has to be maintained implemented consistently in accordance with the existing control design, and reviewed continuously to ensure that the existing control design remains effective for mitigation of dynamic risks (emerging risk).

In implementing operational risk management, Bank Mandiri uses operational risk management tools/devices including:

1. *Risk and Control Self Assessment* (RCSA)
   A register of key risks and controls, which will be used as a basis for risk-based control testing in order to identify potential weaknesses of control as early as possible and maintain the minimum level of residual risk by taking the necessary actions to mitigate before the risk occurs .
2. *Loss Event Database* (LED)
   Database of operational risk incidents which are recorded on a risk-based basis with the aim of being lessons learned, monitoring remediation follow-up and improvement in the future, as well as input on the calculation of operational risk capital (regulatory capital charge).
3. *Key Risk Indicator* (KRI)
   Indicators which are arranged as part of an effort to monitor the risks that exist on a risk based basis so that follow-up can be taken immediately before a risk actually occurs
4. i*Issue and Action Management* (IAM)
   A tool to monitor the follow-up that has been prepared on the issues found through various activities, for example Control Testing, Incidents, Key Risk Indicators, self identified issues, etc.
5. *Capital Modelling*
   A model of operational risk capital (regulatory capital charge) which is in accordance with the provisions of applicable regulations, as a part of mitigating operational risk.

In order to facilitate the operational risk management process, Bank Mandiri has an integrated Operational Risk Management system that covers all of the aforementioned tools and is implemented in working units both head office and region. As an output of the operational risk management process, the Operational Risk Profile Report that describes operational risk exposures is delivered periodically to the Board of Commissioners and Directors. This is administered in order to support the active role of the Board of Commissioners and Directors in implementing the Company's operational risk management. The results of operational risk management reporting are then submitted to the regulator as part of the Risk-Based Bank Rating (RBBR) report in accordance with applicable regulations.

The implementation of operational risk management involves all elements in the Company, including the Board of Directors with active supervision by the Board of Commissioners. The Board of Commissioners and Directors understand the encountered risks and play an important role in supporting and overseeing the success of their implementation in all operational work units. Operational risk management in the Company is supervised by the Director of Risk Management supported by involvement.

- **Risk Management & Credit Policy Committee**
  The Executive Committee carries out the functions of supervision, control and risk management, among others, through the establishment of risk management strategies and procedures, monitoring risk profiles and establishing risk appetite.
- **Operational Risk Management Coach Working Unit**
  The Operational Risk Management Working Unit is responsible for formulating policies, strategies, frameworks and tools for operational risk management and conducting its socialization.
- **Unit Kerja Manajemen Risiko Operasional**
  Satuan Kerja Manajemen Risiko Operasional yang bertanggung jawab mengimplementasikan kebijakan, strategi, kerangka dan perangkat manajemen risiko operasional bekerja sama dengan Unit Kerja Pemilik Risiko.
- **Operational Risk Management Working Unit**
  The Operational Risk Management Working Unit is responsible for implementing policies, strategies, frameworks and operational risk management tools in collaboration with the Risk Owner Working Unit.
- **Compliance Working Unit**
  Work units that carry out the compliance function on internal and external rules.
- **Internal Audit**
  Work units that carry out evaluation of the effectiveness of internal control, risk management and governance processes.

LEGAL RISK

Legal risk is a type of risk encountered by Bank Mandiri as a result of lawsuits, both those carried out by internal and external parties and/or the discovery of juridical weaknesses such as the absence of legal documents and regulations or weaknesses in documents. Legal risk management organizations are carried out by the Legal Unit at the Head Office by carrying out functions, duties and responsibilities related to regulatory, advisory, litigation, advocacy and legal assistance, education and transformation in the field of law and management of Bank legal risk. In implementing these functions, duties and responsibilities, the Legal Unit at the Head Office coordinates with the Legal Unit in the Work Unit and Legal Unit in the Region. The Head Office Legal Unit is the system coach and supervises Legal Unit in Working Unit and Legal Unit in the Region. In optimizing the function of the working unit related to litigation, Bank Mandiri initiated the establishment of a Wholesale Loan Litigation Group which focused on handling litigation issues in the wholesale segment.

MECHANISM OF LEGAL RISK MANAGEMENT

The risk management mechanism which includes the identification process of measurement, control and monitoring refers to the applicable provisions concerning risk management. Each unit of product owner and / or executor or activity organizer is required to identify and manage risks to the maximum including but not limited to legal risks that are inherently inherent in every product or activity created or carried out by the Company, so that they do not have a broad impact and trigger risk Other risks include but are not limited to reputation risk.

Legal risk management carried out by Bank Mandiri, both preventive and repressive, is sufficient to protect the legal interests of Bank Mandiri and minimize the significant financial impact for Bank Mandiri, this is reflected in the Legal Risk Profile Report for 2019 which is in the predicate Low.

REPUTATION RISK

Reputation risk is managed through mechanisms, including monitoring, supervision, handling, and resolution under coordination from the Corporate Secretary with support from relevant work units, including Customer Care work unit, Legal work unit, retail risk work unit, IT work unit, and Strategy Marketing Communication work unit based on applicable internal regulations, and laws and regulations.

On the other hand, reputation risk is also managed by creating positive perceptions through positive articles and posts on conventional media and social media.

Mechanisms for Reputation Risk Management

Reputation risk is managed through a mechanism of supervision, handling and settlement which is coordinated by the Corporate Secretary Group with reference to the Standard provisions of the Corporate Secretary Guidelines.

Positive perceptions are created through positive articles and posts in the press, online media, and electronic media related to the company's business and social activities by referring to the provisions of the Corporate Secretary Standard Guidelines.

Implementation of Policy on Reputation Risk Management

As a form of implementing the reputation risk management policy, the Company ensures that all work units have performed their respective functions properly and in accordance with applicable regulations. As for events that occur that have the potential to impact on reputation risk related to the main tasks and functions of certain work units, the work unit is required to provide detailed information to the Corporate Secretary at the first opportunity in order to immediately manage the event to minimize the impact.

Bank Mandiri currently has official channels for receiving complaints and questions from customers, such as 14000 call centers, websites, branch offices, including print, online, electronic and social media. All complaints are forwarded to Customer Care for handling and resolution. In carrying out these tasks, the Customer Care work unit coordinates with the Corporate Secretary, especially in handling customer complaints related to conventional and social media.

Bank Mandiri also monitors and evaluates news coverage in print, online, electronic and social media periodically to measure the effectiveness of company publications and communications. Furthermore, the results of monitoring and evaluation are used as a basis for publication and communication activities for the next period in order to strengthen the company's reputation on an ongoing basis.

In order to establish good communication with the local media and relevant stakeholders throughout Indonesia, the Corporate Secretary also collaborated with local media to hold a Focus Group Discussion (FGD) in Palu, Central Sulawesi on the theme of post-natural economic recovery. In addition, the Corporate Secretary through regional offices outside Jakarta also conducts iftar activities with major local media to increase engagement and strengthen good relations.

By organizing communication activities in this area it is hoped that positive news can be created about Bank Mandiri in various national media, both print, online, electronic and social media, thus encouraging positive opinions for Bank Mandiri in the midst of society.

Whereas in the event of a crisis on the reputation of the Company and is massive so as to have a significant impact on the confidence of the Stakeholders, the Company will immediately implement an immediate action plan to minimize the impact of the crisis, including preparing problem management strategies, determining internal resource persons and execution schedules for activities crisis management, and overall evaluation.

STRATEGIC RISK

Strategic-risk Management Organization

The bank has established a risk management committee and a risk management unit aims to support a comprehensive, integrated, measurable, and controlled risk management. Each of these committees issues included in the scope of the intended committee.

Strategic-risk Management Mechanism

Bank risk management is regulated in a bank risk management policy with reference to Bank Indonesia regulation (PBI), the Financial Services Authority regulation (POJK), Basel provisions, and international best practices. This policy is regularly reviewed to anticipate changes in a business situation, regulation, and Bank internal condition.

In conducting strategic risk management, Bank Mandiri always conducts performance analysis and evaluates business target preparation and takes corrective steps in developing business plans and targets by considering internal and external conditions, if necessary.

The Implementation of Strategic Risk Management

Throughout 2019, by looking at internal and external conditions of Bank Mandiri and the corporate plan "restart" policy 2016-2020, Bank Mandiri is currently carrying out the stage III transformation to be the best financial institution in Indonesia in 2020. Considering the current economic situation, Bank Mandiri has performed some business strategies focusing on:

- **Strengthening business which becomes initial core competency** by increasing the wholesale loanabove the market growth with the focus on anchor customers and industrial sectors, as well as increasing fee-based income and CASA wholesale through the improvement of banking transaction and cash management, and forex services and capital market.
- **Building and strengthening the new core competency,** by encouraging CASA retail growth through e-channel and Bank at Work initiatives by leveraging the network and derivatives of the wholesale customers. The growth of the consumer lending business, particularly in mortgages, auto loan, and personal loan through streamlining and cross-selling. Increasing the penetration of the micro-credit, especially KSM, and maintaining the market share segments in the Small and Medium Enterprises (SME) segments.
- **Strengthening the fundamentals**, by reducing the cost efficiency ratio through digitalization. Increasing network productivity through the improvement of business process and analytic utilization. Reducing the level of NPL by strengthening the early warning system, managing non-performing loans, and loanbusiness processes.

Steps and Plans in Anticipating Strategic Risk

In anticipating the risk factors encountered by Bank Mandiri, it is necessary to implement independent and prudent risk management but not limit the company's business expansion process. The followings are some strategic risk management procedures applied in 2019:

- The economic growth which impacts business growth is still wary of several industrial sectors that indicate a potential risk of slowing or saturation. This leads Bank Mandiri to expand credits on the existing core and new core more prudently, and select prospective and resilient industrial sectors and segments toward economic turmoil. In addition, monitoring watch list and high-risk debtors are carried out end to end for better loanmanagement.
- Controlling the formation of reserves (CKPN) by conducting review and follow-up action of the potentially problematic debtors so that CKPN costs can be reduced.
- Focusing on retail deposit in small business, micro, and consumer (individual) segments by running a program that can maintain its sustainability.
- Portfolios should be managed more agile to cope with cycles and volatility, prospective industrial sectors/segments should be encouraged to grow.
- Controlling costs through efficiency/saving overhead cost program and a more in-depth study of initiatives which have an impact on increasing productivity and eliminating non-value added cost.

COMPLIANCE RISK

All levels of the company are fully responsible to carry out compliance in their activities. The organizations, their duties, and responsibilities of implementing the compliance function are as follows:

1. Board of Commissioners
   In relation to the implementation of the compliance function and integrated governance, the board of commissioners must carry out active supervision toward the implementation of the compliance function.
2. Integrated governance committee
   The committee is formed to assist the commissioner board in carrying out the supervisory function of the implementation of the integrated governance and integrated compliance function at Bank Mandiri and subsidiaries.
3. Director/SEVP
   The board of directors has duty and responsibility to foster and implement compliance culture and ensure the implementation of compliance culture at all organizational levels and business activities.
4. Director in charge of the compliance function
   The director in charge of the compliance function is responsible for formulating a compliance culture strategy, minimizing compliance risk, establishing compliance systems and procedures and ensuring all policies, provisions, systems, and procedures are in accordance with prevailing laws and regulations.
5. Compliance work unit (Compliance & AML-CFT Group)
   Compliance work unit assists and/or represents the director in charge of the compliance function in carrying out their duties and responsibilities.
6. Compliance unit within the work unit
   Compliance unit within a work unit ensures the implementation of the compliance function

performed by the head of the supervised work unit.
7. The head of the work unit
The head of a work unit is responsible for realizing the compliance culture in their units, managing compliance risk, and implementing process and procedure improvement related to compliance issues in the units.

COMPLIANCE RISK MANAGEMENT MECHANISM

a. Identification
Compliance risk identification is stated in Compliance Risk Statement (CRS) which includes related regulation, causes of risk, risk control, and action plan needed to prevent compliance risk.
b. Assessment
The identified risk is assessed by each risk owner to create compliance risk profile in his work unit. The risk assessment is carried out based on the possibility of the risk occurrences and its impact. In addition, the risk owner also evaluates the effectiveness of the control.
c. Monitoring
Compliance risk monitoring is done by deciding and monitoring the risk appetite statement (RAS) of compliance risk.
d. Mitigation
The mitigation of the compliance risk is carried out by:
    1. Reviewing that the compliance risk identifying process has been done properly and correctly.
    2. Reviewing that the implementation of control and mitigation has been done properly and correctly.
    3. Reviewing that the compliance risk assessment process has been carried out properly and correctly and considers historical sanctions data.

The Implementation of Compliance Risk Management

In 2019, the implementation of compliance risk management is carried out through:

1. Determination of Risk Appetite Statement (RAS)
In 2019, Bank Mandiri has established a Risk Appetite Statement (RAS) for compliance risk, which is the same value as 2018, which is 10 (ten) violations each month. During 2019, the amount of sanctions received by banks is 3 times each month and does not exceed the risk limit in accordance with the stipulated RAS.
2. Compliance Risk Assessment
Compliance risk assessment is conducted routinely every quarter and semester submitted to the OJK as part of the Bank's Risk Profile Report. Based on the compliance risk self-assessment conducted in Quarter IV 2019, the level of compliance risk of the Company is 2 (low to moderate). Some things that become a concern for improvement are compliance risk awareness of employees, data quality and monitoring of report submission to the regulator.
3. Efforts to Mitigate Compliance Risk
In an effort to mitigate compliance risks, the Bank has implemented a number of compliance programs as follows:
    a. Monitoring Regarding the Fulfillment of Bank Obligations for New Regulations
    The Compliance Work Unit carries out prudential meetings, monitors the action plans that need to be carried out, and reminds the regulatory obligations to the relevant Work Units.
    b. Control Testing of High-Risk Activities
    Control testing is carried out by the Work Unit Compliance Unit for high-risk activities. If a discrepancy is found with the applicable regulations, it is necessary to immediately make improvements to prevent bank losses.
    c. Compliance Testing Program
    This program is a program in order to increase owner risk awareness of compliance risks and applicable regulations (according to their duties and responsibilities).
    d. Compliance Work Unit Competency Improvement Program
    In an effort to increase understanding related to compliance risk management, the Company collaborates with independent parties to organize training and compliance certification for all Compliance Work Unit personnel.

Steps and Plans in Anticipation Compliance Risk

The steps to be taken in relation to improving compliance risk management are as follows:

1. The management of compliance risk
    a. Establishing Risk Appetite Statement (RAS) on the monitor the imposition of sanctions/fines to ensure the determined appetite is still under the company's control and improving compliance risk assessment parameter.
    b. Improving procedures related to the implementation of the compliance function report.
2. Increasing compliance risk awareness
    a. Conducting compliance assessment to increase employee understanding of the prevailing rules

and regulations.
   b. providing compliance advice on related issues.
3. Strengthening the monitoring of the compliance of regulatory obligation
   a. Informing/socializing the prevailing laws and regulation or the results of analysis of the provisions to the companies.
   b. Monitoring the compliance of action plan of work unit on the new regulations.
4. Increasing the competency of the compliance work unit
   In order to improve the quality of human resources of the compliance unit, the bank cooperates with an independent party to conduct training and compliance certification.
5. Compliance Loan Review Forum (CCRF)
   This discussion forum is held with the business units to increase the awareness of the compliance risk in the loan sector.
4. Peningkatan Kompetensi Satuan Kerja Kepatuhan
   Dalam rangka meningkatkan kualitas Sumber Daya Manusia Satuan Kerja Kepatuhan, Bank bekerjasama dengan pihak independen untuk menyelenggarakan *training* dan sertifikasi kepatuhan.
5. *Compliance Credit Review Forum* (CCRF)
   Forum diskusi ini dilaksanakan bersama Unit Bisnis dan Perusahaan Anak guna meningkatkan *awareness* risiko kepatuhan dibidang perkreditan.

RISK OF INTRA-GROUP TRANSACTIONS

Intra-Group Transaction Risk Management is carried out with Subsidiaries in the Bank Mandiri business group in accordance with Bank Mandiri's business strategy.

Bank Mandiri identifies and analyzes activities that can increase Intra-Group Transaction Risk exposure and affect company performance. The risk identification is carried out in the business activities of Bank Mandiri and Subsidiaries by considering the complexity of the transaction. Bank Mandiri can combine qualitative and quantitative approaches in the process of measuring Intra-Group Transaction Risks and will then conduct periodic risk monitoring in accordance with established procedures.

INSURANCE RISK

Insurance Risk Management is carried out at Subsidiaries in the Bank Mandiri business group which is engaged in the insurance business.

Bank Mandiri identifies and analyzes activities that can increase Insurance Risk exposure and affect company performance. The risk identification is carried out in the business activities of Subsidiaries engaged in insurance by considering its characteristics. Bank Mandiri can combine qualitative and quantitative approaches in the process of measuring Insurance Risk and will then be subject to periodic risk monitoring in accordance with established procedures.

THE EFFORTS TO INCREASE THE CULTURE OF RISK AWARENESS

In order to accomplish the vision of Bank Mandiri to become Indonesia's Best, ASEAN's Prominent, Bank Mandiri continuously applies a culture so-called risk awareness covering all operational and business activities to mitigate risks that have the potential to disrupt the Company's sustainability. The risk awareness culture starts out with the establishment of a Risk Appetite Statement (RAS) which indicates the type and level of risk which a company manages to accept; which are within the risk capacity the company has, and which are prepared in order to achieve business objectives. RAS will be used in the decision making process of a business and the discipline in respect of the implementation will be intensively monitored.

At the level of policies and procedures, the efforts to increase a culture of risk awareness are made by incorporating risk assessment and risk mitigation at each preparation standard of the business activity procedures and the Company product manuals.

Subsequently, an increase in the culture of risk awareness is also exposed by adhering risk awareness to an internalization culture of Bank Mandiri (corporate culture). One of the cultural themes known as "Mandiri