RISK MANAGEMENT POLICY

Bank BTN as a Bank whose main focus is to provide loan and housing finance, then the Bank's asset portfolio is dominated by Mortgages (KPR) that is influenced by changes in the external business climate such as inflation and interest rates. Efforts to minimize the negative impact, it is necessary to perform sustainable risk management under the principles of *Good Corporate Governance* (GCG). To ensure that business processes achieve corporate objectives, and prevent the occurrence of irregularities and risks that may result in failure to achieve company objectives, it is necessary to base on prudential principles to ensure the growth of healthy Bank performance, Risk Management plays a role in identifying, measuring, monitoring and controlling risk exposure throughout the Bank's business processes.

As a guideline in the implementation of risk management, Bank BTN has a Risk Management Policy which generally includes four pillars, namely:

1. Active Supervision of the Board of Commissioners and Directors

In the implementation of risk management, the Board of Commissioners approves and evaluates the risk management policy, evaluates the Board of Directors' accountability for the implementation of the Risk Management policy that has been compiled, evaluates and decides the application of the Board of Directors in relation to transactions that require the approval of the Board of Commissioners, and ensures that Risk management policies and processes are implemented effectively and integrated in the overall risk management process.

The Board of Commissioners, assisted by the Risk Monitoring Committee (KOPAR), who is in charge and responsible for providing recommendations to the Board of Commissioners by evaluating the Bank's risk management policy, evaluating the suitability of the Bank's risk management policies with its implementation and monitoring and evaluating the performance of the Risk Management Committee's duty. In performing its duties and responsibilities, the Risk Monitoring Committee coordinates with the *Risk Management Division.*

The Board of Directors implements risk management by developing written and comprehensive risk management policies and strategies, responsible for the implementation of risk management policies and risk exposure undertaken by the Bank as a whole, evaluating and deciding on transactions that require the approval of the Board of Directors, developing a risk management culture at all levels of the organization, ensuring the enhancement of human resource competencies related to risk management, ensuring that the risk management function has operated independently, and conduct periodic reviews to ensure the accuracy of the risk assessment methodology, the adequacy of the implementation of risk management information systems and the accuracy of risk management policies and procedures and determination of risk limit.

In order to exercise the above mentioned powers and responsibilities, the Board of Directors is equipped with a Risk Management Committee that actively participates in evaluating and providing recommendations to the President Director, among other things, includes evaluation of Risk Management Policy Guidelines, and recommends risk mitigation that required in accordance with Bank Risk Profile

2. **Adequacy of Policies, Procedures, and Determination of Limit.**
   a. Policies and Procedures of Risk Management
   The implementation of risk management is supported by a framework that includes policies and procedures of risk management and risk limits defined in line with the Bank's vision, mission and business strategy. The policies and procedures of risk management are implemented with due attention to the characteristics and complexity of business activities, the level of risks to be taken (Risk Appetite) and risk tolerance, risk profiles and regulations established by the authority and/or practice of healthy banking. Banks have procedures and processes to implement risk management policies. The policies and procedures of risk management are set forth in the implementation guidelines of which was reviewed and updated periodically to accommodate the changes. In establishing a risk management framework, including policies, procedures and limits, Bank BTN consider the risks to be taken (Risk Appetite) and Risk Tolerance, the Bank's business strategy and objectives and the Bank's ability to take risks (risk bearing capacity)
   b. Determination of Limit

The risk limit is determined by reference to the level of risk to be taken, the risk tolerance, and the Bank's overall strategy with due regard to the Bank's capital capability to be able to absorb the exposure of risks or losses incurred, loss experience in the past, human resource capacity and compliance with applicable external provisions. Procedures and the setting of limits includes accountability and clear levels of delegation of authority, documentation of procedures and the determination of limits sufficiently, periodic review of procedures and determination of limit. The determination of limit is carried out comprehensively on all aspects related to risk, which includes the overall limit, per-risk limit, and limit per bank business activity that have risk exposure.

3. Process of Risk Management and Risk Management Information System

   The process of risk management consists of risk identification, risk measurement, risk monitoring and risk control. In order to support the process of risk management, the Bank develops risk management information system in accordance with the needs of the Bank. A risk management information system is developed to ensure the availability of accurate, complete, informative, timely and reliable information to be used by the Board of Commissioners, the Board of Directors and the work units which involved in the implementation of risk management, to assess, monitor and mitigate the risks faced by the Bank both the overall risk/composite and per risk and/or in the framework of the decision-making process by the Board of Directors. The risk management information system and the resulting information, adapted to the characteristics and complexity of the Bank's business activities and adaptive to changes. The adequacy of the scope of information generated from the risk management information system is periodically reviewed to ensure that coverage is adequate in accordance with the development of the complexity level of business activities.

   The applied Risk management information system among others: *Loss Event Database* (LED), *Risk & Control Self Assessment* (RCSA), *Credit Scoring Model* (CSM), *Internal Credit Rating* (ICR) and Liquidity Risk Monitoring System

4. Internal Control System of Risk Management

   An internal control system implemented effectively to the implementation of business and operations activities at all levels of the organization. The implementation of an effective internal control system is the responsibility of the entire operational work units, and supporting working units as well as the *Internal Audit Division (IAD).*

The internal control system, in the implementation of risk management, includes the conformity of the internal control system with the type and level of risk attached to the Bank's business activities, determination of authority and responsibility for monitoring compliance of risk management policies and procedures, as well as establishing risk limits, establishing a clear path of reporting and separation of functions of operational units with work units that carry out control functions. Organizational structures which clearly describes the Bank business activity, accurate and timely reporting of financial and operational activities, the adequacy of procedures to ensure bank compliance with rules and regulations, an effective, independent, and objective review of the Bank's operational assessment procedures and adequate testing and review of risk management information systems.