Statement of The Board of Directors and/or The Board of Commissioners Regarding The Sufficiency of The Internal Control System

The Board of Directors and the Board of Commissioners are committed to ensuring that Good Corporate Governance is carried out properly as a basis for achieving goals to maintain and increase the value of the Company. One of the implementations of Good Corporate Governance is ensuring that the Internal Control System has been implemented adequately.

The Board of Directors and the Board of Commissioners review the results of the evaluation of the effectiveness of the Company's Internal Control System which includes the five main components of control, namely the Environment Control including Management Oversight and Culture of Control, Risk Recognition and Assessment, Control Activities and Segregation of Duties of Accountancy, Information, and Communication, Monitoring Activities and Correction Deficiencies. Based on the results of the review that has been carried out, the Board of Directors and the Board of Commissioners consider that the internal control system has been implemented adequately.

This Internal Control System Standard Guide is a guideline that contains the minimum standard regarding the Internal Control System that must be enforced and applied by the Company in all aspects related to the enactment and implementation of the Company's operational activities, so as to create a common understanding and basis regarding the level of maintenance of interests and commitment from all parties related to the Bank.

Risk Management Report

In the context of implementing risk management and as a followup to the implementation of Basel II, especially pillar 1, the Bank has implemented:

1. Measurement of Credit Risk by mapping credit risk exposure according to portfolio category in calculating RWA for Credit Risk using the Standardized Approach referring to OJK Circular Letter No. 11/SEOJK.03/2018 concerning Amendments to OJK Circular Letter No. 42/SEOJK.03/2016 concerning Guidelines for Calculation of Risk-Weighted Assets for Credit Risk using a Standard Approach. Currently, the Bank has implemented the calculation of Risk Weighted Assets (RWA) for Credit Risk in accorance with OJK Circular Letter No. 24/SEOJK,03/2021 dated October 7, 2021, concerning Calculation of Risk Weighted Assets for Credit Risk using the Standard Approach for Commercial Banks in accorance with applicable regulatory provisions.
2. The use of the Standardized Model for market risk in accordance with OJK Circular Letter No. 38/SEOJK.03/2016 dated September 8, 2016 concerning Guidelines for Using the Standard Method in the Calculation of the Minimum Capital Adequacy Requirement for Commercial Banks by Taking Market Risk into Account and currently the Bank has prepared OJK Circular Letter No. 23/SEOJK.03/2022 dated December 7, 2022 concerning Calculation of Risk-Weighted Assets for Market Risk for Commercial Banks which has been implemented starting January 1, 2024, by carrying out trial calculations and reporting to the FSA for Market RWA for June 2023, September 2023, and December 2023.
3. Calculation of minimum capital requirements using the Standard Approach Operational Risk for RWA calculation by referring to OJK Circular Letter No. 06/SEOJK.03/2020 dated April 29, 2020, and currently the Bank is recording loss data related to operational risks in accorance with Regulatory provisions..

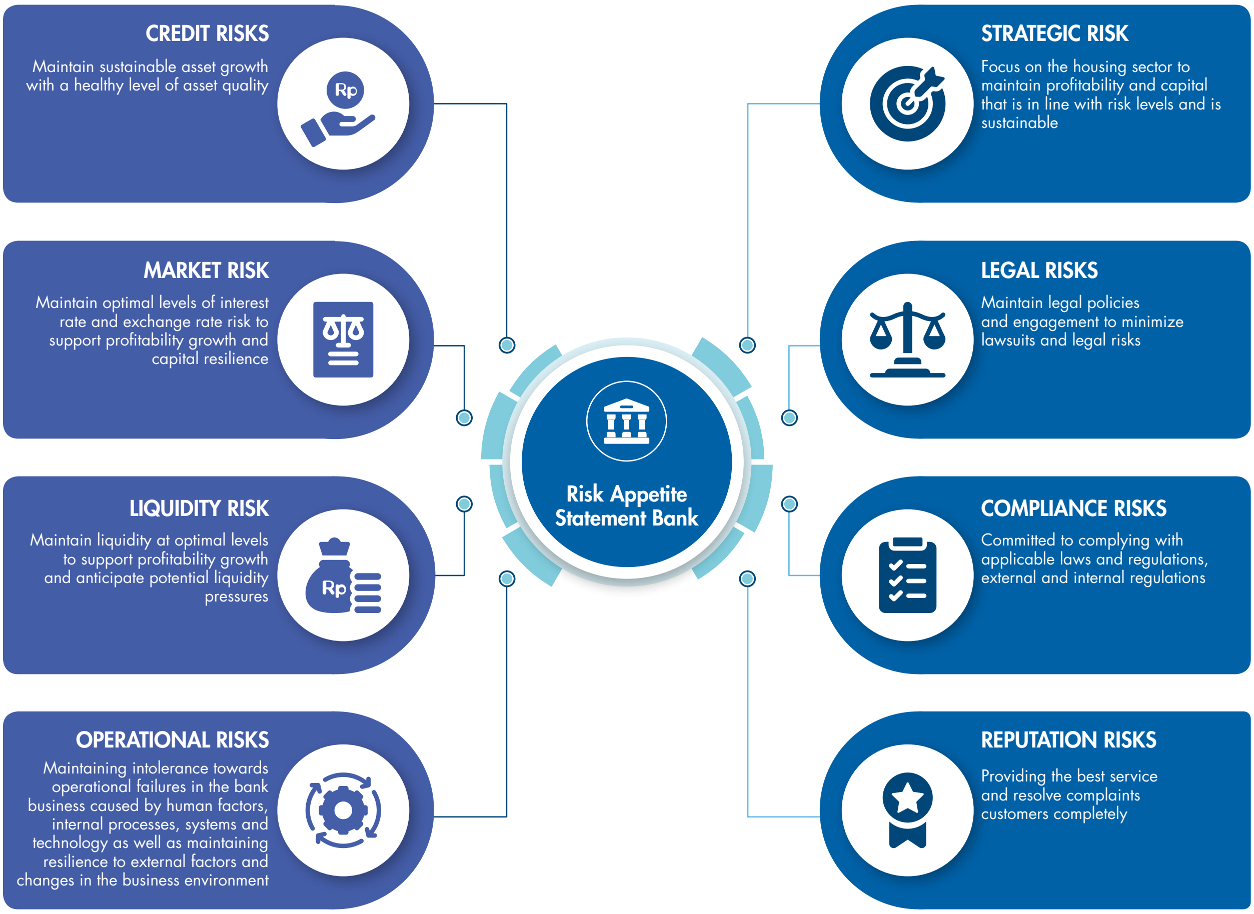
Implementation of Bank Stress Testing focuses on 3 (three) types of risk, namely Credit Risk, Market Risk, and Liquidity Risk. As an effort to improve risk measurement, especially Credit Risk, Market Risk, and Liquidity Risk, the Bank conducts periodically stress tests on the worst-case scenario as stipulated in the bank's internal regulations with a frequency of at least once a year for credit risk and quarterly for market risk and liquidity risk. Stress testing is carried out periodically to assess capital adequacy in the event of problems that have extreme risk or are catastrophic but plausible. The Stress Testing of Market Risk and Liquidity Risk has been carried out on a quarterly basis, while the Stress Testing of Credit Risk, Market Risk, and Liquidity Risk is carried out at least once a year.

In addition, the Bank also conducts Stress Testing for the need to update Recovery Plan documents every year as part of the implementation of Basel III. 31/POJK.03/2019 dated December 2, 2019 concerning the Obligation to Fulfill Leverage Ratios for Commercial Banks, the monthly Liquidity Coverage Ratio (LCR) to regulators as stipulated in OJK Regulation No. 42/POJK.03/2015 dated December 23, 2015 concerning the obligation to fulfill the Liquidity Coverage Ratio for Commercial Banks, Net Stable Funding Ratio (NSFR) per quarter to regulators as stipulated in OJK Regulation No. 50/POJK.03/2017 dated July 13, 2017 concerning the Obligation to Fulfill the Net Stable Funding Ratio for Commercial Banks.

Risk Appetite Statement

Currently, the Bank had a Risk Appetite Statement (RAS) which is a qualitative statement as well as a quantitative measure of the Bank's main risks. Disclosure of RAS was performed in writing and well documented by the Risk Management Work Unit. Determination of RAS limits is carried out by the Board of Commissioners and Directors. In determining RAS, economic, environmental and social sustainability has been taken into account which is then aligned to the preparation of the Company's Work Plan and Budget (RKAP), Risk Appetite, Risk Tolerance and Recovery Plan. The quantified risks included:

Risk Appetite Statement Bank

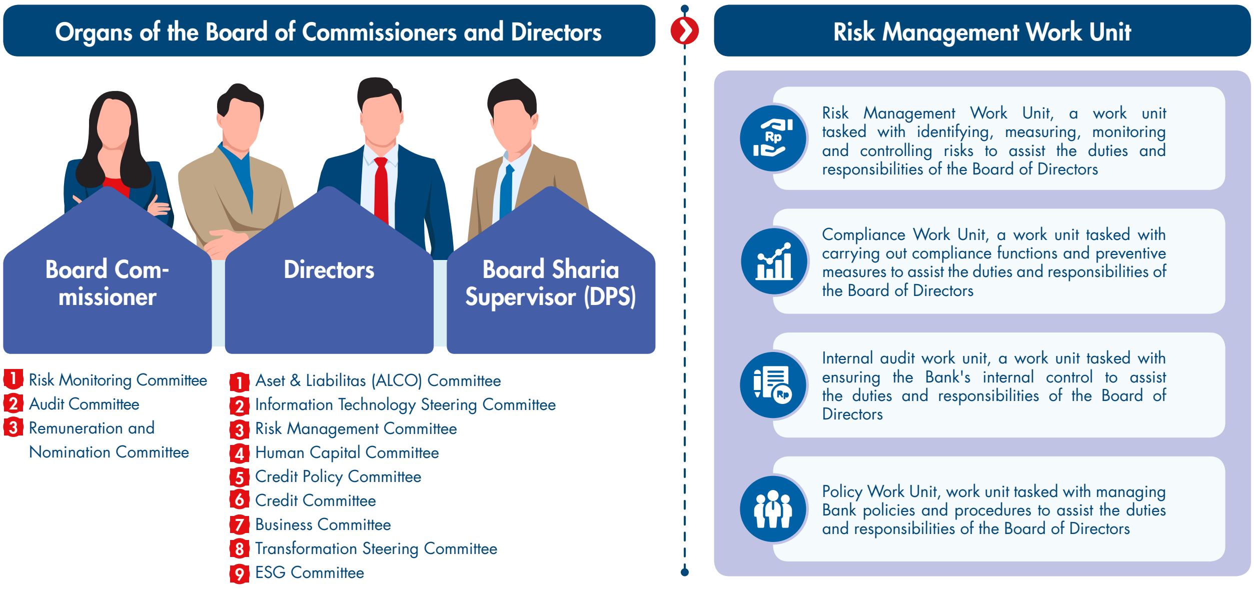


Risk Management System

In the risk management system, the Bank carries out a risk management process that is supported by 4 pillars of risk management implementation, namely:
1. Active Supervision by the Board of Commissioners and the Board of Directors.
2. Adequacy of risk management policies and procedures and application of risk limits.
3. Adequacy of risk identification, measurement, monitoring, and control processes as well as information systems.
4. A comprehensive Risk Control System.

Active Supervision of The Board of Commissioners and Board of Directors

Management of Risk Management is carried out through active supervision by the Board of Commissioners and Directors and the Risk Management Work Unit which is described by the risk management organization as follows:

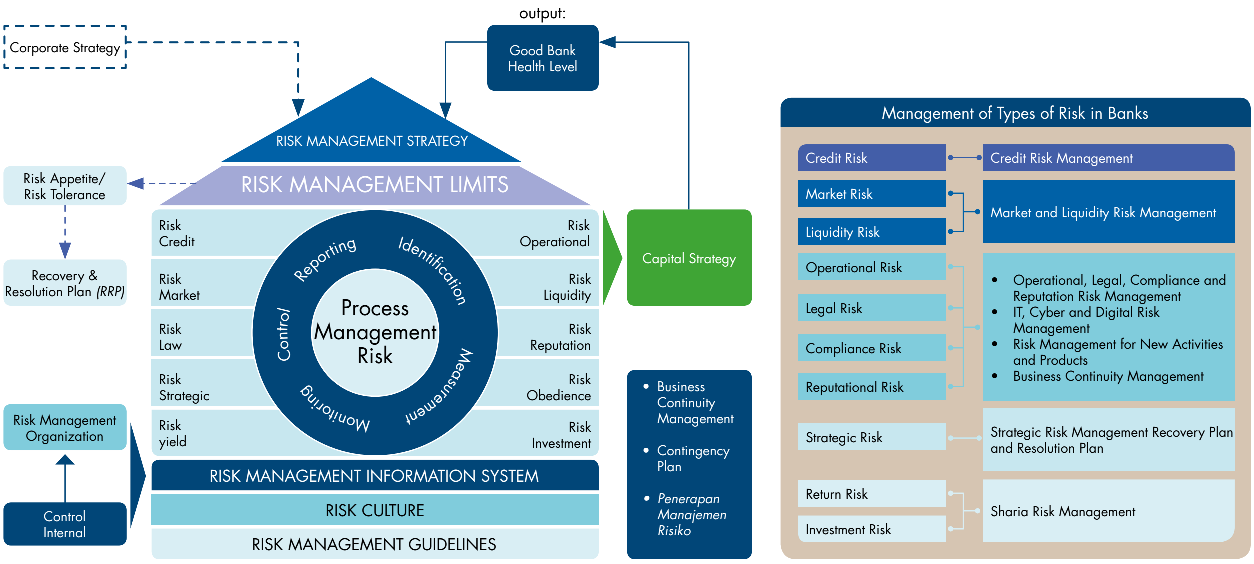


The organ of the Board of Commissioners and the Board of Directors is assisted by several committees in carrying out banking duties and activities in accordance with applicable Regulatory provisions; then, the duties are forwarded to the layers under the body of the Board of Commissioners and Board of Directors, namely the Risk Management Work Unit, Compliance Work Unit, Internal Audit Work Unit, and Policy Work Unit.

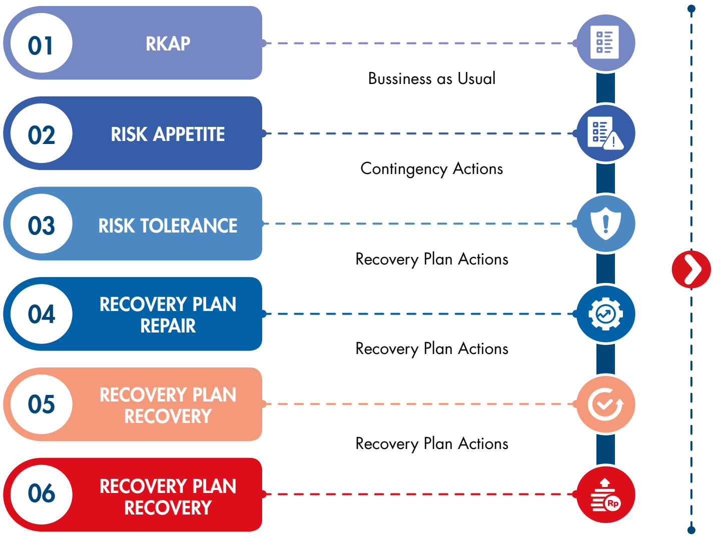
Adequacy of Risk Management Policies and Procedures and Determination of Risk Limits

In implementing healthy risk management, adequate risk management policies and procedures are required. Bank BTN was currently carrying out a policy and procedure architectural transformation according to the ideal policy pyramid hierarchy. Following up on this, Bank BTN has developed a General Risk Management Policy as the highest policy in the application of Risk Management with a framework covering all activities in the implementation of Bank Risk Management.

The general risk management policy mapping was illustrated starting from the risk management strategy, risk management at the Bank, and the expected output is a healthy Bank Soundness Level.



In addition to the adequacy of risk management policies and procedures, the Bank had also conducted a series of processes in setting risk limits which were formulated and elaborated by following and/or aligning with the Company's Work Plan and Budget to the Recovery Plan in accordance with applicable regulations. The illustration of setting limits is as follows:



RKAP

Company Work Plan and Budget prepared for the next 1 (one) year

Risk Appetite (RA)

Risk Appetite is the level of risk that the Bank is willing to take in order to achieve targets

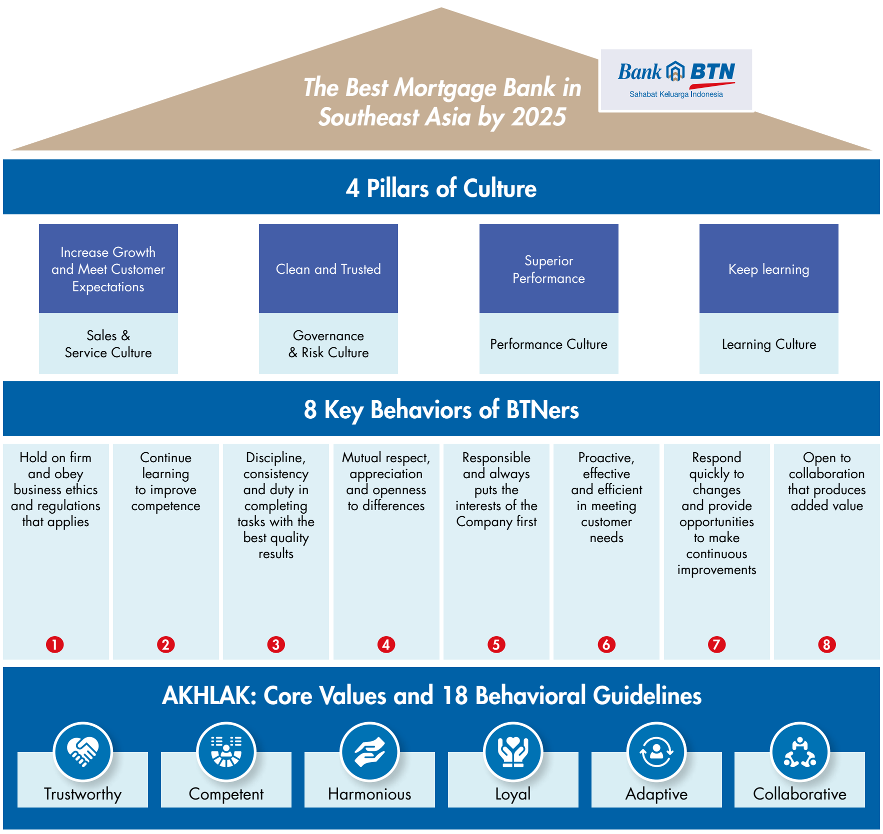
Risk Tolerance (RT)

Risk Tolerance is the maximum risk level set by the Bank

Recovery Plan

The Recovery Plan is an Action Plan to overcome financial problems that may occur

In strengthening risk management policies and procedures, in the practice, Bank BTN also included risk management as one of the pillars of the Bank's corporate culture, where one of the pillars of corporate culture is Governance & Risk Culture. The Governance & Risk Culture pillar is an urgent and crucial pillar to be strengthened so that all business processes run prudently and comply.



AKHLAK BTN

To achieve Bank BTN's **vision as The Best Mortgage Bank in SEA 2025.**

The Best Mortgage Bank in Southeast Asia in 2025 must uphold the 4 pillars of culture in carrying out work activities in their respective Work Units.

The Governance & Risk Culture pillar is an urgent and crucial pillar to be strengthened so that all business processes run **prudent** and in **comply.**

Based on the picture above, to support Bank BTN's objectives based on the Main Values of AKHLAK and the 8 (eight) Main Behaviors of BTNers, there are four cultural pillars which are the main foundation of the 2023 – 2024 Corporate Culture Program, with the objectives namely:

1. Sales & Service Culture – Add to Grow and Meet Customer Expectation
   The end state achievement is increasing sales of funding, lending, and digital products and improving service quality to encourage Bank BTN's business and performance,
2. Risk & Governance Culture – Clean and Reliable
   Build awareness and understanding of risks and their mitigation and apply risk management principles consistently and comprehensively.
3. Performance Culture – Excellent Performance
   Performance improvement efforts to achieve set goals, and;
4. Learning Culture – Keep Learning
   Build enthusiasm for learning and improving critical competencies such as Sales, Digital Analytics, Risk & Collection competencies as well as strengthening BTNers' understanding of the importance of culture and the application of AKHLAK in everyday life.

By using these 4 pillars, the implementation of Bank BTN's corporate culture program is expected to encourage the achievement of Bank BTN's Vision.

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

The process of identifying, measuring, monitoring, and controlling risks is carried out by the Risk Management Work Unit, in this case ERMD has a Department that has an assessment work unit to identify and measure each risk. Risk monitoring and control is carried out periodically to mitigate significant risks to the Company, in this case, ERMD has a Department that has a Risk Development work unit, one of whose functions is to carry out risk control over policies that will be issued by the Company to minimize the risks that will be faced by the Company. Identification, measurement, monitoring, and risk control are the main parts of the process of implementing risk management.

Matters that are of concern to the Company in carrying out the processes of identification, measurement, monitoring, control, and risk management information systems are as follows:

Risk Identification

Risk identification is the process of finding, recognizing, and recording risks. The purpose of the risk identification process is to identify all types of risks inherent in each functional activity that have the potential to harm the Company. The risk identification process involves analyzing all risk sources, risk events, and the least impact of risk on the risks of the company's products and activities, as well as ensuring that risks from new products and activities have gone through an appropriate risk management process before being introduced or implemented. In addition, the Company identifies risks that are carried out periodically.

Risk Measurement

The risk measurement system is used to measure the risk exposure inherent in the Company's activities to be compared with the Company's risk appetite so that the Company can take risk mitigation measures and measure the Company's capital adequacy to cover residual risk. Risk assessments are carried out periodically both for products and portfolios as well as for all the Company's business activities. Risk measurement methods are carried out quantitatively and/or qualitatively. The measurement method is in the form of a standard method stipulated by Bank Indonesia and the FSA in the framework of risk assessment and calculation of capital, as well as an internal method developed by the Company itself. The choice of measurement method is adjusted to the characteristics and complexity of business activities. The risk measurement system is evaluated and refined periodically or at any time if necessary to ensure the suitability of the assumptions, accuracy, fairness, and integrity of the data, as well as the procedures used to measure risk. Stress tests are conducted to complement the risk measurement system by estimating the Company's potential losses in abnormal market conditions using certain scenarios to see the sensitivity of the Company's performance to changes in risk factors and identify influences that have a significant impact on the Company's portfolio. Stress tests are performed on a regular basis, and the results are reviewed, and appropriate steps are taken if it is predicted that the conditions will exceed the acceptable tolerance levels. These results are used as input when setting or changing policies and limits.