

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 accordance 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 accordance 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 accordance 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.