

b. Investment Risk Management

Investment Risk Management is a financing risk provided with a profit sharing ratio which is part of the Bank Risk Management Policy Guidelines for the Bank's Sharia Business Unit (UUS) as well as a guideline for part of the risk assessment process. Investment Risk Exposure is monitored from the time of the process of granting Financing to the maturity of the Financing. Identifying Investment Risk where the Risk due to the Bank shares in the loss of the customer's business financed in profit-sharing based financing using the net revenue sharing method or using the profit and loss sharing method.

Yield Risk Measurement assesses the inherent risk of investment risk using parameters/indicators consisting of the composition and concentration level of profit sharing based financing, the quality of profit sharing based financing and external factors. Of these three indicators, the Commercial Business Department in the Sharia Business Unit (UUS) uses it in managing investment risk. Monitoring and controlling investment risk, among others, by evaluating risk exposure based on profit sharing against investment risk limits, reviewing the Internal Credit Rating policy between the Commercial Business Department in the Sharia Business Unit (UUS) together with the Credit Risk Division (CRD). The management of profit-sharing based financing is carried out by the Commercial Business Department at the Sharia Business Unit (UUS) and Sharia Branch Offices.

Stock Buyback and Bond Buyback —

The main purpose of share buy back and bond buy back is to reduce the number of shares or subordinated bonds that the Company has issued by buying back the shares or subordinated bonds. The payment method is carried out in accordance with the applicable regulations. During 2020, there were no share buybacks or bond buybacks.

Bank Strategic Plan —

The Strategic Plan is outlined in the Corporate Plan and Business Plan in accordance with the Bank's Vision and Mission. The Corporate Plan in the Long Term Plan (CPR) contains the plans spacing out over more than 5 years, while the Business Plan contained in the Company's Business Plan (RBB) is a 3 year plan.

The preparation of the Long-Term Plan and the Bank's Business Plan is prepared by the Board of Directors, which involves Work Units with a top down scheme where the Board of Directors provides direction concerning the strategic goals to be achieved from bottom up i.e. Submitting proposals, suggestions, and/or views originating from Work Units, including in the Division, Regional Office and Branch Offices. RJP and RBBs proposals are submitted to the Board of Commissioners for approval. After obtaining approval, the RJP and RBB are then submitted to the Controlling Shareholders through the Board of Commissioners, and the RBB is to be submitted also to the Financial Services Authority. The annual implementation of the RJP and RBB is implemented through the Corporate Work Plan and Budget (RKAP).

The achievement of annual work targets in the RKAP was monitored monthly by the Board of Directors through Performance Review meetings, while the Board of Commissioners supervises through Joint Meetings of the Board of Commissioners and Directors which were scheduled once every month. The realization of the Bank Business Plan (RBB) was reported by the Board of Directors to the Financial Services Authority as the banking supervisory institution on a quarterly basis. The Board of Commissioners supervises the implementation of the Bank's Business Plan by conducting discussions with the Board of Directors and preparing a Bank Business Plan Supervision Report to the Financial Services Authority every semester.

From the monthly monitoring process, performance results were reviewed and evaluated, if deemed necessary for changes to management strategies and work plans, the Board of Directors submitted a proposal for revision of the RBB in the middle of the financial year to the Board of Commissioners for approval.

More details related to the Bank's Business Plan can be seen in the Management Discussion and Analysis Chapter in this Annual Report.

Provision of Funds to Related Parties and Provision of Large Funds —

The Company provided funds to related parties with the approval of the Company's Board of Commissioners. Information regarding the provision of funds to related parties (related party) and provision of large funds (large exposure) the Company never violated the Legal Lending Limit (LLL) in 2020. The Compliance Director through the Compliance Work Unit constantly monitored the Company's Compliance with the LLL provisions and reported it to the Financial Services Authority each semester. The implementation of the Provision of Funds by the Company to Related Parties and/or the Provision of Large Funds always takes into consideration the principles of prudence and all applicable laws and regulations, and has Complied with the Bank Indonesia ruling concerning LLL.

More details regarding Provision of Funds to Related Parties and Provision of Large Funds can be seen in the Management Discussion and Analysis Chapter of this Annual Report.

Transactions Containing Conflict of Interest —

The Company always complies with the provisions applicable in the Financial Services Authority Circular No. 13/SEOJK.03/2017 dated March 17, 2017 concerning IX.E.1 dated November 25, 2009 concerning Affiliated Transactions and Conflicts of Interest of Certain Transactions. The company also adheres to the implementation of Governance for commercial banks and provisions in the capital market sector such as the Chairman of Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK) Decree No.IX.E.1 dated November 25, 2009 concerning Affiliated Transactions and Conflicts of Interest for Certain Transactions.

The Company has a Policy regarding Transactions with a Conflict of Interest as set forth in the Board Manual. The policy regarding Provision of Funds for Related Parties with a Conflict of Interest is included in a separate Board of Directors regulation stating that the Bank is prohibited from funding Related Parties without obtaining an approval from the Board of Commissioners.

In the event of a Conflict of Interest between the Company and the shareholder, member of the Board of Commissioners, member of the Board of Directors, Executive Officers, and/or other parties related to the Bank should occur, then the member of the Board of Commissioners, member of the Board of Directors, and Executive Officers are prohibited in taking actions that might jeopardize the Bank or reduce the profits of the Bank, and shall fully disclose the Conflict of Interest in every decision.

The Company properly documents every transaction containing any Conflict of Interest and discloses it in accordance with the applicable regulations. The Disclosure of Conflict of Interest is stated in the Minutes of Meeting, which at least includes the name of the party having the Conflict of Interest, the main problematic issue of the Conflict of Interest and the basis of consideration in the decision making.