As an Islamic bank with extensive and complex business operations, BCA Syariah is committed to implementing effective risk management.

Overview of the Company's Risk Management System

BCA Syariah applies risk management and internal control systems effectively, aligned with the Company's objectives and business policies, and tailored to the size and complexity of its operations. This adherence is guided by the requirements and procedures stipulated in Bank Indonesia Regulations (PBI), Financial Services Authority Regulations (POJK), and international best practices, achieved through the following actions:

1. Conducting identification, measurement, monitoring, and control of risks, including risks from new products and new activities, supported by risk management information systems.
2. Having a Sharia Supervisory Board with the authority and responsibility to:
   (i) evaluate risk management policies concerning compliance with Sharia principles, and
   (ii) assess the accountability of the Board of Directors in implementing these policies.
3. Establishing a Risk Monitoring Committee (KPR) to ensure that the existing risk management framework provides adequate protection against all Company risks. The committee's main task is to provide independent professional recommendations and opinions on the alignment between policy and its implementation to the Board of Commissioners, as well as to monitor and evaluate the performance of the Risk Management Committee (KMR) and the Risk Management Unit (MRK).

4. Forming a Risk Management Committee (KMR) tasked with providing recommendations to the President Director to:
   a. develop policies, strategies, and guidelines for risk management,
   b. enhance or refine risk management practices based on evaluations of the risk management process and system, and
   c. decide on matters related to business decisions that deviate from normal procedures (irregularities).
5. Establishing a Risk Management Unit (MRK) that is proportionate to the company's size and business complexity, and independent from operational units (risk-taking units) and internal control functions.
6. Defining risk appetite and risk tolerance, and ensuring the availability of policies and risk limits supported by procedures, reports, and information systems that provide accurate and timely information and analysis to management, including measures to address changing market conditions.
7. Ensuring that system and procedure development considers both operational and business aspects and the potential risks in each work unit.
8. Ensuring that internal control systems are implemented in accordance with regulations.
9. Monitoring the Company's compliance with sound bank management principles through the Compliance Unit.
10. Preparing quarterly Risk Profile Reports and semi-annual Bank Soundness Reports and submitting them to the Financial Services Authority (OJK) in a timely manner.

A. Types of Risks Managed

Risks inherent in each activity of an Islamic bank include 10 types: (1) Credit Risk; (2) Market Risk; (3) Liquidity Risk; (4) Operational Risk; (5) Legal Risk; (6) Reputational Risk; (7) Strategic Risk; (8) Compliance Risk; (9) Rate of Return Risk; (10) Investment Risk.

In implementing sustainable finance, the company also considers environmental and social risks in financing sustainable business activities.

B. Implementation of Risk Management

The implementation of risk management encompasses:

a. Active supervision by the Board of Directors, Board of Commissioners, and Sharia Supervisory Board. The Board of Directors' active supervision includes the preparation, approval, implementation, and evaluation of risk management policies and procedures, conducted through Risk Management Committee (KMR) meetings, Assets & Liabilities Committee (ALCO) meetings, and Financing Policy Committee meetings.

b. Adequacy of risk management policies and procedures, and risk limit setting.

   The implementation of Risk Management is supported by a framework that includes clearly defined risk management policies and procedures and risk limits aligned with the Bank's vision, mission, business strategy, and applicable regulatory requirements. Risk limits are established according to the Bank's business complexity and are monitored periodically. The Bank has a Risk Management Policy that serves as the main guideline for risk management. For specific business areas, the Bank has tailored policies and procedures, such as in financing, treasury, and operations.

c. Adequacy of processes for identifying, measuring, monitoring, and controlling risks, and risk management information systems.

Risk management processes covering the identification, measurement, monitoring, and control of 10 (ten) types of risks are conducted in accordance with regulations, using parameters consistent with risk-based bank rating (RBBR) criteria.

d. Comprehensive internal control systems.

Internal control implementation spans all BCA Syariah activities to detect potential weaknesses and deviations. The internal control framework is applied through a layered defense approach, with each layer operating independently:

- The first line, Internal Control System Function, assists Risk Owner Units in enforcing risk control discipline.
- The second line, Risk Management together with Compliance, defines, refines, and maintains risk management methodologies, ensures adequate risk mitigation, policies, and procedures, and coordinates overall risk owner activities.
- The third line, Internal Audit Unit, independently ensures that all risks are managed within the approved risk tolerance.

C. Risk Management Reporting

In implementing Risk Management, BCA Syariah is required to submit reports to the OJK, including quarterly Risk Profile Reports and semi-annual Bank Soundness Reports. In preparing the Risk Profile Report (LPR), BCA Syariah assesses risks across all business activities covering ten types of risks.

D. Integrated Risk Management

As a subsidiary, BCA Syariah also submits a quarterly risk profile report to PT. Bank BCA, Tbk as the main entity to support integrated risk management within the financial conglomerate through a system integrated with the parent company. This includes reporting integrated risk profiles that cover intra-group transactions between the Bank and the main entity and other financial entities.