

Operational Review

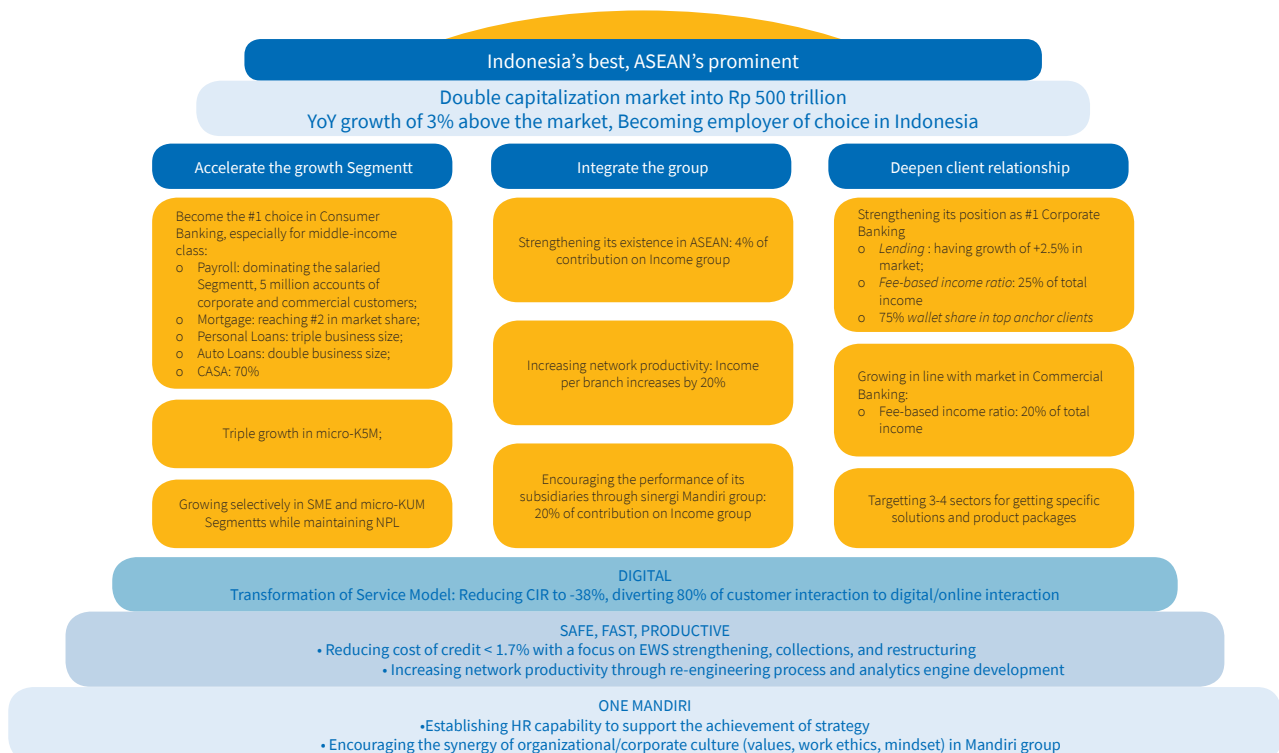
In general, the business activities conducted by Bank Mandiri are collecting public funds and redistributing them into credit and financing, as well as providing other banking services. Bank Mandiri has established some appropriate strategies so that the Bank's performance has increased significantly.

Company Strategy

Synchronization of Long-Term Strategies

The dynamics of the global economy still continued throughout 2017, which become a challenge for Indonesia's economy and the banking industry. In 2016, Bank Mandiri experienced considerable pressure, especially in terms of credit quality caused by macroeconomic factors and also credit portfolio management that was considered less optimal. Therefore, Bank Mandiri conducted a review of its business strategy through Corporate Plan Restart 2016-2020 and set up various initiatives aimed at improving fundamentals through adjusting business focus in accordance with core competence, synchronizing the process and system of business organization, and strengthening risk management and control.

Bank Mandiri synchronized the Corporate Plan Restart 2016-2020 strategy to address both external and internal challenges, with a core business focus on core competency in order to have healthy and sustainable growth with an aspiration of being the Indonesia's best, ASEAN's prominent.



The successful management of the Company is the result of establishing the appropriate strategy. Continuing the Corporate Plan of Bank Mandiri, the Company has executed the Company strategy in order to support the achievement of operational and financial performance targets as set forth in the Bank's Business Plan and captured every opportunity and potential of the existing businesses. The focus of Bank Mandiri's Strategy until 2020 is set forth in the following three (3) main strategies.

1. Accelerate The Growth Segment Strategy

- a. Growing the consumer banking and Multipurpose Micro Business Loan as a new core of Bank Mandiri aggressively to become the first-choice bank, especially for the middle-income class through payroll, mortgage, personal loan and autoloan products, as well as increasing the low-cost funds (CASA).
- b. Encouraging the growth of Small Medium Enterprise (SME) and Micro Business segment selectively while maintaining its quality and market share.

2. Integrate The Group Strategy

- a. Strengthening the presence of Bank Mandiri among the ASEAN countries.
- b. Improving the productivity of Bank Mandiri's network through business process reengineering and data analytics implementation.
- c. Encouraging the improvement of performance of subsidiaries through sinergi mandiri group.

3. Deepen Client Relationship Strategy

- a. Encouraging corporate business to be the main competence to grow more aggressively and be the best in the market in terms of growth in quality and reliability of transactional and treasury products.
- b. Increasing the contribution portion of fee income in the corporate and commercial segments.
- c. Developing sector solution, through specific product offerings and financial solutions.

- d. Encouraging the consolidation and strengthening the commercial segment to continue to grow in line with the market.

In addition to the above strategies, Bank Mandiri is also preparing enablers or other bankwide strategic supports in order to support the achievement of business targets and key aspirations.

Enabler Strategy

- a. Transformation of service model through digitization to improve efficiency, as indicated by the decreasing efficiency ratio.
- b. Organizational rearrangement to better reflect the business focus and to be responsive to market conditions safely, quickly, and productively.
- c. Alignment of risk management to balance growth and quality.
- d. Development of human resources to cultivate the leader and entrepreneurship characteristics.
- e. Encouraging work culture synergy (values, work ethics, mindset) in Mandiri Group.

One of the implementation of the Corporate Plan strategies is the alignment of distribution network organizations. Organizational alignment is an advanced process of Distributions Network Transformation (DNT), especially in order to improve the asset quality and business focus in the region. This organizational alignment initiative is aimed at 2 (two) main things, namely organizations that encourage the strengthening of risk management and control, and organizations that focus according to Corporate Plan Restart 2016-2020 strategy. In addition, the management has also set the growth targets in several segments that become the back bone of Bank Mandiri's business growth.

In order to support the achievement of the Corporate Plan Restart 2016-2020, Bank Mandiri has had 21 Board of Director (BOD) program levels as the main strategic initiative. The programs that have been developed must meet the objectives of the Corporate Plan, which are focusing on the development of the existing and new cores. In addition, the scope

of the program should also include the implementation phase and, finally, should be able to have significant business impact and measurable metrics.

In order to ensure that all strategies and initiatives are implemented and working as expected, each initiative has a Sponsor Director who becomes a sponsor to encourage the implementation of the initiative assisted by a Project Management Officer (PMO) who has dedication to carry out the initiative. In order to ensure that initiatives are well working, a control tower is established to facilitate the interdependency among the initiatives, to track and monitor the implementation of the initiatives, and to escalate the issue to the steering committee where necessary. In order to ensure the accountability, Key Performance Indicator (KPI) Project is calculated based on Group and Individual KPI. Then, the implementation of the program is carried out in a solid project management structure and clear governance, therefore, there has been a full-time dedicated unit assigned as Control Tower, and PMO Head and Co-PMO Head (from Bank Mandiri talents) for each program.

In addition, as an effort to overcome the NPL issues, Bank Mandiri has also made various intensive efforts, among others:

1. Accelerating the restructuring for debtors who still have good business prospects and intention. This includes the efforts to find investors who can continue the debtors' businesses.
2. A more intensive billing to litigation actions against uncooperative debtors, and or misuse of loans.
3. Establishing and monitoring credit growth based on the predetermined portfolio mix target (sectoral, industry, product, debtor segment).
4. Establishing credit monitoring functions throughout the region to ensure the crediting processes are in accordance with the established regulations and policies.
5. Controlling the potential of credit quality

reduction, both current debtors (watchlist) and ex-restructuring (post-restructuring supervision) to conduct restructuring actions in a timely manner.

Marketing Aspect

The description of marketing aspect includes marketing strategy and market share of Bank Mandiri's products and services. The appropriate marketing strategy will encourage the increased share of the Company's products and services.

Marketing Strategy

As one of the largest banks in Indonesia, Bank Mandiri always strives to innovate and improve its services. The synergy between Retail Banking and Wholesale Banking segments and Subsidiaries is always pursued through the spirit of prospering the country, as in line with Bank Mandiri's value proposition, so that any activities undertaken can have added value to all levels of society.

The marketing communication activities of Bank Mandiri's products and services are managed by the Strategic Marketing and Communication Group (SMC) which periodically evaluates the marketing strategy of Bank Mandiri's products and services in order to make Bank Mandiri as the first choice of the community in conducting banking activities. One of activities is to create the possessed communication proposition, namely "**Saatnya Mandiri**" to become a Top of Mind communication tool in every banking service need. This is performed to make the customers feel that Bank Mandiri is always present in every stage of their daily life.

There were many marketing and promoting activities conducted in 2017, as follows.

Regular Holiday Activities

In order to always support the customers in every holiday, such as New Year, Lunar New Year, Eid al-Fitr, Independence Day

of Indonesia and Christmas, Bank Mandiri always participate in offering various promotional programs from various merchants that can facilitate the transaction of Mandiri Credit Card and Mandiri Debit Card. In order to celebrate the Lunar New Year, Bank Mandiri holds a gathering event by inviting customers to have a dinner in order to improve customer engagement with Bank Mandiri.

New Product Launching

In February 2017, Bank Mandiri, in cooperation with Pertamina, launched a new product named Mandiri Kartu Kredit Pertamina. It is a co-branding card issuance cooperation between Bank Mandiri and Pertamina, with more benefits for card holders and is the first co-branding card in this category. As for some benefits that can be obtained by card holders are fuel upgrade at Pertamina Pasti Prima Gas Stations and double fiestapoin that can be obtained from special transactions at Pertamina gas stations that have become the partners in this cooperation.

In addition, in order to keep being update of technological developments, in March 2017, Bank Mandiri launched a product named Mandiri Online in order to sustain customers' banking activities to be easier, whenever and wherever. Mandiri Online became the first banking product that allows customers to access banking facilities in multiple gadgets with single access.

In order to give appreciation to the prioritized customers, to support the art world and to provide information on the launch of New Branding Mandiri Private as well as its benefits to customers, Bank Mandiri held a Beyond Wealth seminar. The event began with a seminar on the latest topics from international speakers and was then followed by a gala dinner and a fashion show of famous designer.