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Integrated the Group

Distributions

Distributions presence as a unit is to do monitoring the performance and supervising branches of Bank Mandiri in Indonesia. In operational activity, Bank Mandiri divide into 12 areas / regions where each region has a scope of responsibilities to develop business of Bank Mandiri and Mandiri Group within its business areas coverage.

Subsidiary Companies

The performance of subsidiary companies has reflected in the Consolidate Financial Report of Bank Mandiri.

Financial Performance Review

Income Statement

During 2016 Bank Mandiri successfully booked Consolidated Net Income amounted to Rp13,807 billion, decreased by 32.10% from 2015 amounted to Rp20,335 billion. The decrease was mainly driven by the increase of Allowance for Impairment Losses of Rp13,279.16 billion or rose 113.84% from the previous year of Rp11,664.84 billion to Rp24,944 billion.

Table of Summary of Consolidated Income Statement 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Operating Revenue	86,690.04	99,495.70	105,374.05	5.91%
Operating Expense	-55,563.59	-61,371.39	-62,878.02	2.45%
Allowance for Impairment Losses	-5,718.13	-11,664.84	-24,943.94	113.84%
Reversal of Allowance for Impairment Losses on Commitments and Contingencies	5.31	-198.45	181.46	-194.79%
Reversal of Allowance for Possible Losses	183.48	-179.24	117.64	-165.63%
Unrealized Gains/(Losses) from Increase/(Decrease) in Fair Value of Marketable Securities and Government Bonds and Policy Holder Investments in Unit Link Contracts	146.52	-18.31	15.60	-185.20%
Gain from the Sale of Marketable Securities and Government Bonds	234.46	275.50	745.90	170.74%
Operating Income	25,978.11	26,338.97	18,612.72	-29.33%
Non-Operating (Expense)/ Income - Net	29.91	30.46	-39.76	-230.53%
Income Before Tax and Non-Controlling Interests	26,008.02	26,369.43	18,572.96	-29.57%
Tax Expense	-5,353.23	-5,217.03	-3,922.80	-24.81%
Net Income	20,654.78	21,152.40	14,650.16	-30.74%
Net Income attributable to:				
Non-Controlling Interests	782.91	817.43	843.60	3.20%
Parent Entity	19,871.87	20,334.97	13,806.57	-32.10%

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Table of Consolidated Income Statement 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Net Income	20,654.78	21,152.40	14,650.16	-30.74%
Other Comprehensive Income/(Loss) - after tax	827.90	-705.57	25,694.89	3,741.72%
Comprehensive Income for the Current Year	21,482.68	20,446.83	40,345.05	97.32%
Comprehensive Income attributable to:				
Parent Entity	20,699.77	19,658.16	39,484.14	100.85%
Non Controlling Interests	782.91	788.67	860.91	9.16%

Operating Revenue

Operating Revenue consisted of interest income, premium income, provision and commission, net gain in foreign currencies as well as other operating revenues. In 2016, operating revenues increased by 5.9% from Rp99,495.70 billion in 2015 to Rp105,374 billion which was still dominated by the increase in interest income of 7.2%, sharia income of 6.94% and provision and other commissions of 14.23%.

Table of Operating Income 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Interest Income	57,563.26	66,366.66	71,145.40	7.20%
Sharia Income	5,074.68	5,203.47	5,564.49	6.94%
Premium Income	9,364.28	9,546.89	9,377.74	-1.77%
Provision (Admin Fee) and Other Commissions	9,131.97	10,014.81	11,440.00	14.23%
Net Gain in Foreign Currencies	1,587.64	2,238.10	2,265.23	1.21%
Others	3,968.20	6,125.77	5,581.18	-8.89%
Total Operating Income	86,690.03	99,495.70	105,374.04	5.91%

Operating Expense

In 2016, operating expense increased by 2.45% amounted to Rp62,878.03 billion compared to 2015 position at Rp61,371.39. The increase was dominated by contribution of salaries and benefits of 10.04% as well as general and administrative expenses of 9.05%. Following is the composition of operating expenses and its increases in recent years.

Operating Expense 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Sharia and Interest Expense	23,505.52	26,207.02	24,884.52	-5.05%
Claim Expense	6,683.72	6,409.82	6,725.31	4.92%
Salaries and Benefits	10,848.03	12,376.66	13,618.75	10.04%
General and Administrative Expense	11,448.31	12,799.85	13,958.21	9.05%
Others - Net	3,078.01	3,578.04	3,691.24	3.16%
Total Operating Expense	55,563.59	61,371.39	62,878.03	2.45%

Meanwhile, interest expense and sharia expense decreased by 5.05% due to the fall of Cost of Fund which was aligned with the monetary policy situation towards easing money policy, giving the impact to the decrease in benchmark interest rate (BI Rate) which then influenced the Bank interest rate.

(Allowance)/Reversal of Provision for Impairment Losses

In 2016 allowance for Impairment Losses of Bank Mandiri rose 113.84% to Rp24,944 billion compared to 2015 of Rp11,664.84 billion. The increase was mainly due to loans disbursed which increased to Rp24,277.36 billion in 2016 as compared to 2015 of Rp11,460.58 billion. The increase of allowance for impairment losses is one of risk mitigation related to credit quality. Meanwhile, impairment provision for consumer financing receivables also recorded an increase of 56.03% in 2016 to Rp455.03 billion compared to 2015 which stood at Rp291.63 billion.

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Table of (Allowance)/Reversal of Provision for Impairment Losses 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Current accounts with other banks	6.85	0.05	0.18	282.61%
Placements at other banks	10.32	26.26	-21.42	-181.56%
Marketable securities	-18.81	-34.40	-24.09	-29.97%
Receivable from marketable securities	-115.52	41.43	-35.09	-184.69%
Other receivables - trade transactions	-41.94	41.94	0.00	-100.00%
Loans	-5,294.73	-11,460.58	-24,277.36	111.83%
Consumer financing receivables	-209.11	-291.63	-455.03	56.03%
Net investment in lease finance	-10.81	2.36	-0.20	-108.47%
Acceptance Receivables	-44.87	16.82	-130.91	-878.29%
Equity Investments	0.49	-7.09	-0.03	-99.57%
(Allowance)/Reversal for Provision of Impairment Losses	-5,718.13	-11,664.84	-24,943.94	113.84%

(Allowance)/Reversal for Possible Losses

In 2016, Bank Mandiri recorded reversal for possible losses of Rp117.64 billion, increased by 165.63% as compared to 2015 position of Rp-179.24 billion. The reversal related to estimated losses arising from the legal cases which mostly contributed of Rp265.39 billion as compared to 2015 of Rp-11.59 billion.

Meanwhile, estimated loss arising from fraud cases booked allowance of Rp-45.80 billion or increased by 345.96% compared to 2015 of Rp-10.27 billion. While other assets recorded allowance of Rp-101.96 billion or changed by 35.21% compared to 2015 which recorded Rp-157.38 billion.

Table of (Allowance)/Reversal for Possible Losses 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Estimated losses arising from fraud cases	11.71	-10.27	-45.80	346.09%
Estimated losses arising from legal cases	129.30	-11.59	265.39	-2,389.82%
Other assets	42.47	-157.38	-101.96	-35.22%
(Allowance)/Reversal for Possible Losses	183.48	-179.24	117.64	-165.63%

Unrealized Gains/(Losses) from Increase/(Decrease) in Fair Value of Marketable Securities and Government Bonds and Policy Holder Investments in Unit Link Contracts

Overall, the gain/(losses) from Increase/(Decrease) in Fair Value of Marketable Securities and Government Bonds and Policy Holder Investments in Unit Link Contracts were Rp15.64 billion, a slightly change as compared to 2015 amounted to Rp-18.31 billion.

In 2016, unrealized decrease in marketable securities amounted to Rp3.5 billion, meanwhile government bonds recorded unrealized gain of Rp12.13 billion, gain on change in fair value of policy holders' amounted to Rp1,416 billion in 2016 and decrease in liability of unit-linked contracts investment amounted to Rp1,416 billion in 2016.

Table of Unrealized Gains/(Losses) from Increase/(Decrease) in Fair Value of Marketable Securities and Government Bonds and Policy Holder Investments in Unit Link Contracts 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Marketable securities	93.82	0.99	3.51	254.54%
Government Bonds	52.70	-19.30	12.13	162.84%
Changes in fair value of policy holders' investment and increase/(decrease) in liability in unit-linked contracts				
Change in fair value of policy holders' investment	2,860.35	2,142.17	1,416.02	-33.90%
Increase/(decrease) in liability of unit-linked contracts	-2,860.35	-2,142.17	-1,416.02	-33.90%
Unrealized Gains/(Losses) from Increase/(Decrease) in Fair Value of Marketable Securities and Government Bonds and Policy Holder Investments in Unit Link Contracts	146.52	-18.31	15.64	185.41%

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Gain on Sale of Marketable Securities and Government Bonds

Gain on sale of marketable securities and government bonds were recorded Rp745.90 billion in 2016. This figure increased by 170.75% compared to 2015 which stood at Rp275.50 billion.

Marketable securities measured on fair value through income statement recorded Rp53.96 billion gain, improved from 2015 which book losses of Rp27.76 billion or increased by 294.37%. Available for sale marketable securities decreased to Rp35.26 billion in 2016 as compared to 2015 which recorded Rp62.68 billion gain.

Meanwhile the government bonds measured on fair value through incomes statement rose 181.47% in 2016 to Rp59.73 billion as compared to the gain booked in 2015 of Rp21.22 billion. While the available for sale government bond recorded the highest gain of Rp596.96 billion or increased 172.14% compared to 2015 of Rp219.36 billion.

Table of Gain on Sale of Marketable Securities and Government Bonds 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Marketable securities				
Fair value through profit and loss	39.42	-27.76	53.96	254.54%
Available for sale	33.36	63.68	35.26	-43.75%
Government Bonds				
Fair value through profit and loss	45.22	21.22	59.73	181.48%
Available for sale	116.46	219.36	596.96	172.14%
Gain on Sale of Marketable Securities and Government Bonds	234.46	275.50	745.90	170.74%

Non-Operating Income

In 2016, non-operating income decreased Rp39.76 billion which was dominated by other expenses of Rp44.33 billion. Revenue from KSO transactions was nil in 2016, while the revenue from building rental was Rp13.65 billion in 2016, decreased by 8.10% compared to 2015 of Rp14.85 billion. Gain on sale of fixed assets was Rp0.12 billion in 2016, decreased by 47.83% from 2015 of Rp0.23 billion. The fine amounted to Rp9.20 billion in 2016, which was higher than in 2015 of Rp6.41 billion.

Table of Non-Operating Income 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Revenue from KSO transactions	15.60	29.26	-	-100.00%
Building rental revenue	10.23	14.85	13.65	-8.10%
Gain on sale of fixed assets	4.12	0.23	0.12	-47.83%
Fine	-10.90	-6.41	-9.20	-43.52%
Miscellaneous	10.86	-7.47	-44.33	-493.44%
Non-Operating Income	29.91	30.46	-39.76	-230.55%

Tax Expense

Tax expense consisted of current and deferred tax expenses. In 2016, Tax Expense amounted to Rp3,922.80 billion, decreased by 24.81% compared to 2015 of Rp5,217.03 billion.

Table of Tax Expense in 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Tax expense - current	-5,309.92	-5,548.06	-5,088.92	-8.28%
Tax expense - deferred	-43.31	331.03	1,166.12	252.27%
Tax expense	-5,353.23	-5,217.03	-3,922.80	-24.81%

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Other Comprehensive Income

In 2016, other comprehensive income after income tax amounted to Rp25,694.88 billion or rose 3,741.73% compared to 2015 of Rp-705.57 billion. Bank Mandiri successfully booked profit in 2016 significantly which was contributed by gain on fixed assets revaluation of Rp25,140.56 billion.

Other significant gain was changes in fair value of financial assets available for sale which booked profit of Rp945.23 billion or increased by 174.49% compared to 2015 which booked loss amounted to Rp1,268.96 billion.

Table of Other Comprehensive Income 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Items that will not be reclassified to profit or loss				
Gain on fixed assets revaluation	-	-	25,140.56	-
Actuarial gain	-	339.70	-288.90	-185.05%
Income tax on Items that will not be reclassified to profit or loss		-65.96	57.78	187.60%
Items that will be reclassified to profit or loss				
Adjustments on translation of financial statements in foreign currencies	-18.00	39.18	-40.72	-203.93%
Changes in fair value of financial assets available for sale	1,057.37	-1,268.96	945.231	174.49%
Income tax on Items that will be reclassified to profit or loss	-211.47	250.47	-119.06	-147.54%
Total Items reclassified to profit or loss	827.90	-979.31	785.35	180.20%
Total Other Comprehensive Income	827.90	-705.57	25,694.88	3,741.73%

Attributable Net Income and Comprehensive Income

Attributable net income in 2016 was Rp14,650.16 billion, decreased by 30.74% compared to 2015 of Rp21,152.40 billion. Net Income attributable to owners of the parent in 2016 amounted to Rp13,806.57 billion, declined by 32.10% compared to 2015 amounted to Rp20,334.97 billion. While net income attributable to non-controlling interests in 2016 was Rp843.60 billion, rose 3.20% compared to 2015 of Rp817.43 billion.

In 2016 Comprehensive Income attributable to owners of the parent entity amounted to Rp39,484.14 billion, increased by 100.85% compared to 2015 of Rp19,658.16 billion. While comprehensive income attributable to non-controlling interests in 2016 amounted to Rp860.91 billion, increased by 9.16% compared to 2015 of Rp788.67 billion.

Table of Attributable Net Income and Comprehensive Income 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Owners of the Parent Entity	19,871.87	20,334.97	13,806.57	-32.10%
Non-Controlling Interests	782.91	817.43	843.60	3.20%
Net Income attributable to:	20,654.78	21,152.40	14,650.16	-30.74%
Parent Entity	20,699.77	19,658.16	39,484.14	100.85%
Non-Controlling Interests	782.91	788.67	860.91	9.16%
Comprehensive Income attributable to:	21,482.68	20,446.83	40,345.05	97.32%

Earnings per Share

Earnings per Share of Bank Mandiri in 2016 were recorded Rp591.71 billion, a decrease of 32.10% compared to 2015 of Rp871.50 billion. Earnings per share is consolidated net income for the year which is divided by weighted average number of shares issued and fully paid in the current year. The weighted average number of outstanding shares used as the divisor in calculating basic and diluted earnings per share on December 31, 2016 and 2015 respectively of 23,333,333,333 shares.

Table of Earnings Per Share 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Basic (in full Rp)	851.66	871.50	591.71	-32.10%
Diluted (in full Rp)	851.66	871.50	591.71	-32.10%

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Analysis of Financial Position

Assets

Total Assets of Bank Mandiri in 2016 increased by 14.14% to Rp 1,038.70 trillion compared to 2015 of Rp 910.06 trillion. The increase was mainly due to the increase in several activities such as: loans which grew 11.18% in 2016 to Rp662.01 trillion compared to 2015 of Rp595.46 trillion. Meanwhile, placements at BI and Other Banks-net also increased by 97.25% in 2016 to Rp73.62 trillion as compared to 2015 of Rp37.32 trillion. Securities – net also increased by 29.58% in 2016 to Rp56.55 trillion compared to 2015 of Rp43.64 trillion. Reverse Repo, derivative claims and other claims-net also increased by 33.63% in 2016 to Rp19.46 trillion compared to 2015 of Rp14.56 trillion.

Table of Financial Positions 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Cash	20,705	25,109	22,906	-8.77%
Current Accounts at Bank Indonesia	50,599	56,314	52,485	-6.80%
Current Accounts at Other Banks – net	8,983	10,152	10,360	2.05%
Placements at BI and Other Banks – net	61,118	37,321	73,617	97.25%
Marketable Securities - net	40,465	43,642	56,552	29.58%
Government Bonds	86,154	103,869	98,933	-4.75%
Reverse Repo, Derivative Claims & Other Claims - net	31,468	14,563	19,461	33.63%
Loans*	529,974	595,458	662,013	11.18%
Provision for Loan Impairments	-17,919	-22,558	-32,945	46.05%
Acceptance Claims - net	13,007	11,224	14,548	29.62%
Equity Investments - net	55	48	245	410.42%
Fixed Assets and Intangible Assets - net	10,573	11,677	37,619	222.16%
Other Assets**	19,858	23,244	22,911	-1.43%
Total Assets	855,040	910,063	1,038,706	14.14%

*) Including consumer finance receivables and net investments in financial leasing.

**) Including prepaid expenses, prepaid taxes and deferred tax assets.

Cash

Bank Mandiri's cash position in 2016 was Rp22,906 billion, decreased by Rp2,203 billion from the previous year of Rp25,109 billion, a decrease of 8.77%. The cash consisted of main cash, ATM and CDM cash and petty cash.

Current Accounts at Bank Indonesia

Current Accounts at Bank Indonesia decreased by 6.80% to Rp52,485 billion in 2016 from Rp56,314 billion in 2015.

Table of Current Accounts at Bank Indonesia 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Rupiah	40,379	44,557	41,014	-7.95%
US Dollars	10,220	11,757	11,471	-2.43%
Current Accounts at Bank Indonesia	50,599	56,314	52,485	-6.80%

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Current Accounts at Other Banks

Total Current Accounts at Other Banks increased to Rp10,360.17 billion in 2016 or grew 2.05% compared to 2015 amounted to Rp10,152.21 billion. The increase was mainly due to the increase in forex and Rupiah current accounts at other banks as presented in the following table:

Table of Current Accounts at Other Banks 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Rupiah				
Related Party	19.87	23.07	25.69	11.36%
Third Party	258.21	448.18	482.68	7.7%
Total rupiah	278.08	471.25	508.37	7.88%
Foreign Exchange				
Related Party	1.07	1.45	0.17	-88.27%
Third Party	8,707.68	9,682.93	9,854.67	1.77%
Total Foreign Exchange	8,708.75	9,684.37	9,854.84	1.76%
Allowance for Impairment	-3.36	-3.41	-3.05	-10.56%
Total current accounts at other banks	8,983.47	10,152.21	10,360.17	2.05%

Placement at Bank Indonesia and Other Bank

Placement at Bank Indonesia and Other Bank in 2016 increased by 97.25% to Rp73,617.00 billion compared to 2015 of Rp37,321 billion. The placement in Rupiah rose to Rp38,157 billion in 2016 as compared to 2015 of Rp11,561 billion or increased by 230.05%. Meanwhile, the placement in foreign exchange also increased by 37.62% to Rp35,543 billion in 2016 compared to Rp25,827 billion in 2015.

Table of Current Accounts at Bank Indonesia and Other Banks 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Rupiah				
Related Party	1,250	1,572	1,197	-23.85%
Third Party	34,602	9,989	36,960	270.01%
Total rupiah	35,852	11,561	38,157	230.05%
Foreign Exchange				
Related Party	253	419	529	26.13%
Third Party	25,108	25,408	35,014	37.81%
Total Foreign Exchange	25,361	25,827	35,543	37.62%
Allowance for Impairment	-95	-67	-83	23.88%
Total current accounts at other banks	61,118	37,321	73,616	97.25%

Marketable Securities

Marketable Securities owned by Bank Mandiri increased by 29.58% to Rp56,552 billion in 2016 from the previous year of Rp43,642 billion. The leap was mainly caused by the rise of related party securities of 12.44% at Rp18,571 billion in 2016 from the previous year of Rp16,517 billion. Meanwhile, third party marketable securities rose 37.66% in 2016 at Rp38,251 billion compared to 2015 of Rp27,787 billion.

Table of Marketable Securities 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Related Party	14,803	16,517	18,571	12.44%
Third Party	26,048	27,787	38,251	37.66%
Unamortized discounts, unrealized gains/ (losses) from increase/(decrease) in fair value of marketable securities and allowance for impairment losses	-386	-662	-270	-59.21%
Securities - net	40,465	43,642	56,552	29.58%

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Government Bonds

Up to end of 2016, the Government Bonds owned by Bank Mandiri amounted to Rp98,933 billion, decreased by 4.75% from 2015 position amounted to Rp103,869 billion. The decrease was mainly contributed by the decrease of bonds which were held to maturity in 2016 at Rp11,143 billion compared to 2015 position at Rp20,811 billion. In addition, the ownership of bonds was measured at fair value through gain-loss also reduced by -24.81% to Rp1,191 billion in 2016 compared to 2015 at Rp1,584 billion.

Table of Government Bonds 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Government Bonds				
Measured at fair value by P/L statement, fair value	1,745	1,584	1,191	-24.81%
Available for sale*)	61,187	74,153	80,335	8.34%
Held to maturity, amortized	21,196	20,811	11,143	-46.46%
Measured at cost**)	876	6,055	5,027	-16.98%
Investments in unit-linked***)				
Measured at fair value by P/L statement, fair value	1,150	1,266	1,237	-2.29%
Total Government Bonds	86,154	103,869	98,933	-4.75%

*) Including *sukuk*, project-based *sukuk* and retail bonds which are classified as at fair value through other comprehensive income.

**) Government bonds owned subsidiaries are classified in accordance with SFAS No. 110 "Sukuk Accounting".

***) Investments in unit-linked investment is owned by policyholders in unit-linked contracts subsidiaries are stated at fair value.

Reverse Repo, Derivative Claims and Other Claims

In 2016, the number of charges on securities purchased under agreements to resell or Reverse Repo increased 646.68% to Rp5,055 billion compared to 2015 amounted to Rp677 billion. While derivative receivables amounting to Rp239 billion in 2016 decreased by 65.91% compared to 2015 amounting to Rp701 billion. While the bill other trading transactions in 2016 amounted to Rp14,167 billion, increased by 7.45% compared to 2015 amounting to Rp13,185 billion. On December 31, 2016 and 2015, no derivative contracts intended to hedge accounting and Bank Indonesia's collectibility of derivative receivables are current.

Table of Reverse Repo, Derivative Claims & Other Claims 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Reverse repo	19,745	677	5,055	646.68%
Derivative Claims	71	701	239	-65.91%
Other Claims – trading	11,652	13,185	14,167	7.45%
Total	31,468	14,563	19,461	33.63%

Loan

In 2016, total net loans disbursed of Bank Mandiri increased 11.18% whereas position as of 2016 was recorded Rp662,013 billion, increased from 2015 which stood at Rp595,458 billion. Total loans disbursed to related party increased 32.88% to Rp100,212 billion as of 2016, rose from 2015 position of Rp75,412 billion. Meanwhile the loans disbursed to third party also increased 8.03% whereas position in 2016 stood at Rp561,801 billion, increased from 2015 amounted to Rp520,046 billion. However, on the other side, Bank Mandiri decreased its allowance for impairment as much as 46.05% which stood at Rp32,945 billion in 2016 as compared to 2015 of Rp22,282 billion.

Loans Disbursed*) 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Related Party	67,621	75,412	100,212	32.88%
Third Party	462,352	520,046	561,801	8.03%
Allowance for Impairment	-17,919	-22,558	-32,945	46.05%
Total loans disbursed-net	512,054	572,900	629,068	9.80%

*) Including consumer finance receivables and net investments in financial leasing.

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Written-Off Loans

During 2016, Bank Mandiri wrote off its loans of Rp11,408 billion, rose 90.35% compared to 2015 which stood at Rp5,993 billion. The balance in 2016 was Rp40,815 billion, which was 13.57% higher compared to 2015 of Rp35,937 billion. Meanwhile the balance as at end of 2016 was Rp48,808 billion.

Table of Written-Off Loans 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Balance at the beginning of the year	35,143	35,937	40,815	13.57%
Write Off	2,986	5,993	11,408	90.35%
Recovery	-2,686	-3,040	-3,193	5.03%
Miscellaneous	494	1,925	-223	-111.58%
Balance as at end of the year	35,937	40,815	48,808	19.58%

*) Including the difference in exchange rate due to currency translation.

Restructured Loans

Total restructured loans in 2016 was Rp52,731 billion, increased 62.18% compared to the similar loans scheme in 2015 which stood at Rp32,514 billion. The increase was dominated by the extension of loans time period scheme which increased by 88.93% in 2016 of Rp46,337 billion compared to 2015 of Rp24,526 billion. The additional loans facilities in 2016 stood at Rp32 billion, decreased 5.88% from 2015 of Rp34 billion. Meanwhile the extension time period and other restructuring schemes in 2016 were Rp4,130 billion which decreased by 31.23% as compared to 2015 of Rp6,006 billion.

Table of Restructured Loans Scheme and Amount 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Long term loans with share options	198	322	-	-100.00%
Additional facilities	45	34	32	-5.88%
Extension of loans time period	8,424	24,526	46,337	88.93%
Extension of time period & reduction of interest rate	1,204	1,626	2,232	37.27%
Extension of time period & other restructuring schemes*)	4,044	6,006	4,130	-31.23%
Total	13,915	32,514	52,731	62.18%

*) Other restructuring schemes principally consisted of reduction in interest rate, rescheduling of interest arrears and extension of time for payment of interest arrears.

Provision for Impairments

Total provision for impairments in 2016 was Rp32,945 billion, increased by 46.04% from 2015 of Rp22,558 billion. The increase of provision for impairments in 2016 was dominated by impairment provision for loan given as much as Rp32,617 billion, an increase of 46.38% compared to 2015 of Rp22,282 billion. Meanwhile, impairment provision for consumer financing receivables in 2016 rose Rp323 billion or increased by 19.62% compared to 2015 of Rp270 billion. Impairment provision for net investments in lease finance in 2016 was Rp5 billion, decreased by Rp6 billion from 2015.

Table of Provision for Impairments 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Impairment Provision for Loans	-17,707	-22,282	-32,617	46.38%
Impairment Provision for Consumer Financing Receivables	-195	-270	-323	19.62%
Impairment Provision for Net Investment in Lease Finance	-17	-6	-5	-16.66%
Total Impairment Provision	-17,919	-22,558	-32,945	46.05%

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Acceptance Claims

Total acceptance claims in 2016 was Rp14,548 billion, increased by 29.62% compared to 2015 of Rp11,224 billion. Claims on other banks in Rupiah in 2016 amounted to Rp347 billion, an increase of 7.09% compared to 2015 of Rp324 billion. Meanwhile claims on borrower in Rupiah in 2016 stood at Rp7,704 billion, increased by 267.90% compared to 2015 of Rp2,094 billion.

Meanwhile the foreign exchange claims on other banks in 2016 amounted to Rp413 billion, increased by 233.06% compared to 2015 of Rp125 billion. The forex exchange claims on borrowers stood at Rp6,325 billion, decreased by 28.04% compared to 2015 position at Rp8,789 billion.

Table of Acceptance Claims 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Rupiah				
Claims on other banks	196	324	347	7.09%
Claims on borrowers	742	2,094	7,704	267.90%
Foreign Exchange				
Claims on other banks	89	125	413	233.06%
Claims on borrowers	12,087	8,789	6,325	-28.04%
Allowance for impairment	-107	-107	-241	125.23%
Total Acceptance Claims	13,007	11,224	14,548	29.62%

Equity Investments

In 2016, total equity investments were Rp245 billion, increased by 410.41% from 2015 position of Rp48 billion. Composition of current equity investments rose significantly 2,425%, the doubtful account also increased by Rp2 billion.

Table of Equity Investments 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Current	58	8	203	2,425%
Substandard	-	50	50	0.00%
Doubtful	-	-	2	200%
Allowance for impairment	-3	-10	-10	0%
Total	55	48	245	410.41%

Fixed Assets and Intangible Assets - Net

In 2016, total fixed assets and intangible assets amounted to Rp37,618 billion, increased by 222.15% compared to 2015 of Rp11,677 billion. The increase was mainly driven by a 265.33% increase of fixed assets from Rp9,762 billion in 2015 to Rp35,663 billion in 2016.

Table of Fixed Assets and Intangible Assets – Net 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Fixed Assets	8,929	9,762	35,663	265.33%
Intangible Assets	1,644	1,915	1,955	2.09%
Software	1,221	1,492	1,532	2.68%
Goodwill	423	423	423	0.00%
Total	10,573	11,677	37,618	222.15%

Other Assets - Net

In 2016, total other assets increased to Rp11,557 billion compared to 2015 of Rp11,293 billion. The increase was mainly caused by the increase in accrued revenues of Rp4,365 billion in 2016 compared to Rp4,060 billion as of 2015.

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Liabilities

Liabilities of Bank Mandiri in 2016 amounted to Rp824,559 billion, increased by 12% compared to 2015 of Rp736,199 billion. The increase was driven by the increase in customer deposits component, liability to unit-linked policyholders, derivative payables, marketable securities issued, accrued expenses, employee benefit liabilities, other liabilities as well as fund borrowings.

Total Liabilities in 2014-2016 (Rp billion)

	2014	2015	2016	Change (%)
Obligation Due Immediately	1,156	1,156	1,570	35.81%
Customers Deposits	583,449	622,332	702,060	12.81%
Deposits from Other Banks	17,532	12,636	9,339	-26.09%
Liability to Unit-Linked Policyholders	17,344	17,019	19,603	15.18%
Securities Sold under Repurchase Agreements	6,112	4,863	3,353	-31.05%
Derivative Payables	157	299	502.47	68.05%
Acceptance Payables	13,114	11,331	14,789	30.52%
Marketable Securities Issued	2,010	2,398	9,026	276.39%
Estimated Losses on Commitments and Contingencies	197	396	207	-47.72%
Accrued Expenses	3,880	3,491	3,743	7.21%
Taxes Payable	1,875	2,132	1,259	-40.95%
Employee Benefit Liabilities	5,181	5,777	6,763	17.07%
Provision	668	676	436	-35.50%
Other Liabilities	16,371	14,189	15,810	11.42%
Fund Borrowings	24,227	33,765	35,883	6.27%
Subordinated Loans	3,747	3,738	215	-94.25%
Total Liabilities	697,020	736,199	824,559	12.00%

Obligation Due Immediately

Total fixed obligation due immediately in 2016 was Rp1,570 billion, rose 35.81% from the previous year.

Customers Deposits

Customer deposits of Bank Mandiri in 2016 were recorded Rp702,060 billion or increased by 12.81% compared to 2015 which stood at Rp622,332 billion. The increase of customer deposits in 2016 was mainly due to the increase of current account/sharia current account which stood at Rp186,983 billion in 2016 as compared to 2015 amounted to Rp172,154 billion. Meanwhile, savings/sharia savings were booked Rp277,170 billion as of 2016, increased from 2015 which stood at Rp248,952 billion. Time deposit rose to Rp237,907 billion in 2016 compared to the previous year of Rp201,226 billion.

Deposits from Other Banks

In 2016, total deposits from other banks was Rp9,339 billion, fell 26.09% compared to 2015 of Rp12,636 billion. The decrease arose due to the deposits from other banks in the form of time deposit declined to Rp3,757 billion in 2016 compared to 2015 which booked Rp5,128 billion. Meanwhile inter-bank call money in 2016 decreased to Rp1,281 billion compared to 2015 of Rp3,764 billion. However, current account/sharia current account in 2016 rose to Rp4,301 billion compared to 2015 of Rp3,744 billion.

Liability to Unit Linked Policy Holders

In 2016, total liabilities to unit-linked policy holders increased to Rp19,603 billion, a leap of 15.18% compared to 2015 of Rp17,019 billion.

Securities Sold Under Repurchase Agreements

Total securities sold under repurchase agreements decreased to Rp3,353 billion in 2016, from 2015 amounted to Rp4,863 billion.

Derivative Payables

In 2016, total derivative payables amounted to Rp502.47 billion, increased 68.05% compared to 2015 of Rp299 billion.

Acceptance Payables

In 2016, total acceptance payables amounted to Rp14,789 billion, rose 30.52% compared to 2015 of Rp11,331 billion.

Marketable Securities Issued

In 2016, total marketable securities issued amounted to Rp9,026 billion, increased 276.39% compared to 2015 of Rp2,398 billion

Estimated Losses on Commitments and Contingencies

In 2016, total estimated losses on commitments and contingencies amounted to Rp207 billion, increased 47.72% compared to 2015 of Rp396 billion.

Accrued Expenses

In 2016, total accrued expenses amounted to Rp3,743 billion, rose 7.21% compared to 2015 of Rp3,491 billion.

Taxes Payable

In 2016, total Taxes Payable amounted to Rp1,259 billion, fell 40.95% compared to 2015 of Rp2,132 billion.

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In 2016, total Employee Benefit Liabilities amounted to Rp6,763 billion, rose 17.07% compared to 2015 of Rp5,777 billion.

Other Liabilities

In 2016, total Other Liabilities amounted to Rp15,810 billion, rose 11.42% compared to 2015 of Rp14,189 billion.

Fund Borrowings

In 2016, total Fund Borrowings amounted to Rp35,883 billion, increased 6.27% compared to 2015 of Rp33,765 billion.

Subordinated Loans

In 2016, total Fund Borrowings amounted to Rp215 billion, decreased 94.25% compared to 2015 of Rp3,738 billion.

Equity

(in billion Rupiah)

	2014	2015	2016	Change (%)
Capital Stock	11,667	11,667	11,667	0.00%
Additional Paid-in Capital/Premium on Stock	17,316	17,316	17,316	0.00%
Differences Arising from Translation of Financial Statements in Foreign Currencies	204	243	202	-16.87%
Difference in transactions from non-controlling interests	0	-93	-93	0.00%
Unrealized Losses from Decrease in Fair Value of Available for Sale Marketable Securities and Government Bonds - net of Deferred Tax	-571	-1,565	-759	-51.50%
Net differences on fixed assets revaluation after deducted by deferred taxes	-	-	25,141	
Net actuarial gain on reward programs - net of Deferred Tax	0	278	50	-82.37%
Retained Earnings	74,042	89,225	96,931	8.64%
Appropriated	9,779	12,402	5,380	-56.62%
Unappropriated	64,263	76,822	91,551	19.17%
Non-Controlling Interests in Net Assets of Consolidated Subsidiaries	2,187	2,422	2,916	20.40%
Total Equity	104,845	119,492	153,370	28.35%

Total equity of Bank Mandiri in 2016 rose to Rp153,370 billion, increased by 28.35% compared to 2015 which stood at Rp119,492 billion. The increase of total equity occurred due to the increase of net differences on fixed assets revaluation after deducted by deferred taxes amounted to Rp25,141 billion. Meanwhile unappropriated retained earnings in 2016 increased to Rp91,551 billion compared to 2015 position which stood at Rp76,822 billion.

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Capital Stock

In 2016 there was no change in capital stock position, therefore the capital stock position in 2016 was Rp11,667 billion similar to the number in 2015.

Additional Paid-in Capital/Premium on Stock

There was also no additional paid-in capital/premium on stock in 2016. Thus, the amount was similar to the previous year of Rp17,316 billion.

Differences Arising from Translation of Financial Statements in Foreign Currencies

In 2016, total deifferences arising from translation of financial statements in foreign currencies amounted to Rp202 billion, fell 16.66% compared to 2015 which stood at Rp243 billion.

Unrealized Losses from Decrease in Fair Value of Available for Sale Marketable Securities and Government Bonds – after deducted by deferred taxes

In 2016, total Unrealized Losses from Decrease in Fair Value of Available for Sale Marketable Securities and Government Bonds – after deducted by deferred taxes amounted to Rp-759 billion, increased by 51.48% compared to 2015 of Rp-1,565 billion.

Retained Earnings

In 2016, total appropriated retained earnings amounted to Rp5,380 billion, decreased by 56.62% compared to 2015 of Rp12,402 billion. Meanwhile total Unappropriated Retained Earnings amounted to Rp91,551 billion, rose 19.17% from 2015 of Rp76,822 billion.

Non-Controlling Interests in Net Assets of Consolidated Subsidiaries

In 2016, total non-controlling interests in net assets of consolidated subsidiaries amounted to Rp2,916 billion, increased by 20.41% compared to 2015 which stood at Rp2,422 billion.

Cash Flows

With strong operating cash flows, we are in a solid position to support future growth as reflected in the following disclosure of cash flows.

(in billion Rupiah)	2014	2015	2016
Cash Flow Provided by Operating Activities	21,092	10,201	41,521
Cash Flow Provided by Investing Activities	-7,084	-28,949	-6,163
Cash Flow Provided by Funding Activities	3,496	778	-1,975

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Analysis the Ability to Pay Debt and Collectible Level of Credit

In addition, PEFINDO with letter No. 941 / PEF-Dir / VI / 2016 dated 1 June 2016 has decided to award AAA ratings to Bank Mandiri for the period of 1 June 2016 to 1 June 2017.

This reflects the great performance of Bank Mandiri to meet its long-term financial commitment.

Liquidity

The capability of bank liquidity is the bank's ability to meet its liability on due date from cash flow and/or from high-quality liquid assets that can be used as collateral without disrupting the activities and financial condition of the Bank. The Bank's liquidity is affected by the funding structure, assets liquidity, liabilities to the counterparty and credit commitments to borrowers/debtors.

A number of indicator used by Bank Mandiri to measure liquidity risk includes the Minimum Reserve Requirement ratio at Bank Indonesia and Cash, liquidity reserves, Loan to Funding Ratio (LFR) and their funding dependency on large clients. The Minimum Reserve Requirement (GWM) is the minimum secured deposit in the form of clearing account reserved at the Central Bank of Indonesia or statutory notes determined by Bank Indonesia with specific percentage from the Third Party Fund (DPK).

On 31 December 2016, Rupiah Primary GWM position was at 6.50% from the total third party fund in Rupiah, which is as targeted. As for the LFR GWM reserves was at 0.00% and the secondary GWM Rupiah was 9.84% from the total third party fund in Rupiah (Only Bank Mandiri). For foreign exchange, Bank Mandiri managed its GWM for 8.12% from the total of third party funds of foreign currency as set (specific for Bank Mandiri).

Bank liquidity conditions in the coming years projected through liquidity gap methodology, which is a mismatch maturity between the components of assets and liabilities (including off-balance sheet), which is compiled into a period of time (time bucket) based on contractual maturity or behavioral maturity. On 31 December 2016, liquidity projection of Bank Mandiri for the next 12 months was in a surplus position. Although the surplus liquidity projection for the next 12 months, Bank Mandiri always prepare with alternative funding should the market condition becomes tight in liquidity or not in accordance to Bank Mandiri prediction.

To find out the impact of changes factor in market and internal factors in the extreme conditions (crisis) towards liquidity, Bank Mandiri conducts a stress-testing of liquidity risk on a regular basis. The results of stress-testing that has been done in the first quarter of 2016 has been presented to the Management and Risk Monitoring Committee. The results of stress-testing showed that Bank Mandiri can survive the conditions of liquidity crisis. Bank Mandiri has a Liquidity Contingency Plan (LCP), which includes funding strategy and pricing strategy, among others, money market lending, repo, bilateral loans, FX swaps, as well as funding strategies and pricing strategies. In LCP, determining the liquidity and funding strategies should consider internal and external conditions.

Table of Bank Mandiri Liquidity Position for the year of 2014-2016

	2014	2015	2016
Current asset ¹⁾	Rp161,421 billion	Rp147,561 billion	Rp182,060 billion
Government bond measured on the proper value on profit loss report and available for sell	Rp64,082 billion	Rp77,003 billion	Rp82,763 billion
Loan Ratio to Savings or LDR ²⁾	82.86%	87.68%	86.54 %
Current asset to Total asset	18.9%	16.2%	17.5 %
Current asset to savings	25.4%	21.8%	23.9 %

Notes:

- 1) Current assets consist of cash, demand deposits at Bank Indonesia, placements with Bank Indonesia, and other banks and financial institutions, and marketable securities (excluding government bonds) in portfolio assessed at fair market value
- 2) Deposits exclude deposits by other banks

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Solvency

Bank Mandiri capital policy is prudently diversifying source of capital to anticipate long-term business strategy and allocating the capital efficiently on potential business segments in order to provide optimum risk-return, including placement and investment on subsidiaries to meet the shareholders' expectation, such as investors and regulators.

Bank Mandiri ensures its capital adequacy to meet loan risk, market risk and operational risk, both in normal and stress conditions which also used as a basis for Bank Mandiri in implementing VBM (Value Based Management) through RORAC (Return On Risk Adjusted Capital) measurement and RORWA (Return On Risk Weight Asset). Through VBM, the Bank can identify business units, segments, products, regions that provide added values to the Bank. Thus Bank Mandiri can focus on business developments that could provide the most values to the Bank.

Bank Mandiri refers to the regulation of Bank Indonesia in the calculation of capital adequacy for credit risk, market risk and operational risk. For credit risk, Bank Mandiri uses standardised approach. Currently, Bank Mandiri is developing the calculation of capital requirements for credit risk with Initial Rating Based Approach (IRBA) and the Economic Capital approach. The Capital Economic Approach developed for loan and operational

risk. As for market risk, Bank Mandiri uses the Standard Model, while internally Bank Mandiri has used Value at Risk as an Internal Model. For operational risk, Bank Mandiri refers to the Basic Indicator Approach and simulates the Standardised Approach in accordance with Basel II.

In the implementation of SEOJK No. 42/SEOJK. 03/2016 dated 28 September 2016 regarding the calculation of Risk Based Asset (ATMR) loan using standard approach, Bank Mandiri ATMR calculation results indicate loan risk ATMR as of 31 December 2016 was Rp549,646,704. The ATMR market risk position with a standard approach and Basic Indicator Approach indicated a number of Rp1,800,778 and Rp91,932,008 respectively.

Meanwhile, Capital adequacy Ratio (CAR) as of 31 December 2016 was calculated using Financial Services Authority Regulations (POJK) No. 34 /POJK.03/2016 dated 22 September 2016 on Amendments to the Regulation of the Financial Services Authority No. 11/POJK.03 / 2016 regarding the Minimum Capital Requirement for Commercial Banks, while the Capital Adequacy Ratio (CAR) as of 31 December 2015 was calculated following PBI No. 15/12 / PBI / 2013 dated 12 December 2013 regarding Minimum Capital Requirement for Commercial Banks. The Capital Adequacy Ratio (Bank Mandiri only) on 31 December 2016 and 2015 are as follows:

in billion Rupiah	31 December 2016	31 December 2015
Capital:		
Core Capital	130,356,495	93,252,808
Additional Capital	7,075,719	14,135,338
Total capital for loan risk, operational risk and market risk	137,432,214	107,388,146
Risk Based Asset (ATMR) for Loan	549,646,704	497,912,789
Risk Based Asset (ATMR) for Operational	91,932,008	78,627,774
Risk Based Asset (ATMR) for Market	1,800,778	805,426
Total Risk Based Asset for loan risk, operational risk and market risk	643,379,490	577,345,989

	31 December 2016	31 December 2015
CAR for core capital	20.26%	16.15%
CAR for loan risk	25.00%	21.57%
CAR for loan and operational risk	21.42%	18.63%
CAR for loan and market risk	24.92%	21.53%
CAR for loan, operational and market risk	21.36%	18.60%
CAR for minimum core capital	6.00%	6.00%
CAR minimum sesuai profil risiko	9.52%	9.00%

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Rentability

Bank Mandiri consolidated rentability measured by the following ratios:

in %	2014	2015	2016
ROE	20.95	18.33	9.66
ROA	3.39	2.99	1.96
NIM	5.97	6.08	6.44
CER	44.91	43.00	42.39
BOPO	70.02	74.28	83.50

In 2016, Bank Mandiri recorded a Return on Equity of 9.66%, dropped by 8.67% compared to 2015 which was 18.33%. Meanwhile, Net Interest Margin increased to 6.44% from 6.08% in 2015. The NIM level has made Bank Mandiri as one of the Bank with a good level of profitability.

Strategy efficiency and effectiveness of operational activity, credit improvement and expansion of operations as determined by Bank Mandiri resulted Cost Efficiency Ratio stood to record at 42.39% as of 31 December 2016.

Meanwhile, the BOPO ratio increased slightly from 74.28% in 2015 to 83.50% as of 31 December 2016. The increase is caused by an increase in operational income of banks which were not equal to the increase of operational expenditure. However, the ratio still shows the management succeed in maintaining the efficiency and effectiveness of operational activity.

Bank Mandiri has the ability to generate profits and a good level of effectiveness in carrying out its operational as reflected in the ratios above.

Loan Collectability

The total of Non-Performing Loan (NPL) can be a reference to see the Bank Collectible Loan. Bank Mandiri NPL in 2016 remained well controlled within the range of 4% in the amount of Rp26,475 billion. The number of NPL was far below the limit NPL number as set by Bank Indonesia which was 5%.

Table of Loan Collectability 2014-2016 (Rp billion)

	2014	2015	2016
Loan	529,973	595,458	662,013
Current/Good/Perform	495,606	552,863	609,715
Need attention	22,958	27,078	25,823
Less Perform	2,231	3,280	9,997
Very less perform	2,239	2,557	2,776
Not Performing	6,940	9,680	13,702
NPL	11,410	15,517	26,475
NPL (%)	2.15%	2.60%	4.00%

Capital Structure

Besides the mandatory to provide minimum capital adequacy according to risk profile, as required by the regulators, Bank Mandiri is required to form additional capital as a buffer in addition to providing appropriate minimum capital risk profile. The additional capital are:

1. Capital Conservation Buffer, which function as buffer during loss on crisis period.
2. Countercyclical Buffer, which function as buffer to anticipate loss when there is overgrown of banking loan and potentially disrupting the financial stability system.
3. Capital Surcharge for Domestic Systemically Important Bank (D-SIB), which function to reduce negative impact towards financial stability system and economy when there is a Bank faulty affecting the system through improving the Bank ability to absorb loss.

Since 1 January 2016, all Banks are required to form Capital Conservation gradually as follow:

Capital Conversation	Date
0.625% of ATMR	1 January 2016
1.25% of ATMR	1 January 2017
1.876% of ATMR	1 January 2018
2.5% of ATMR	1 January 2019

Moreover, according to the Central Bank of Indonesia Regulation No.17/22/PBI/2015 on the Mandatory Establishment of Countercyclical Buffer, Bank is obliged to form Countercyclical Buffer within the range of 0% to 2.5% of risk based income which effective in 1 January 2016.

Financial Services Authority in POJK 46/POJK.03/2015 on Stipulation of Systemically Important Banks and Capital Surcharge begin to implement Capital Surcharge for each Bank within the range (based on the bucket) of 1% to 2.5% from the Risk Based Asset since 1 January 2016.

Bank Mandiri Core Capital recorded at Rp130,356 billion as of 31 December 2016, an increase by 39.79% from Rp93,253 billion in 2015, due to the additional capital from retained earnings component. Meanwhile, Bank Mandiri only supplementary capital in 2016 for Rp7,076 billion, an increase by 49.94% from Rp14.135 billion in the previous year.

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Table of Capital Structure 2014-2016 (Rp billion)

	2014	2015	2016
Capital:			
Core Capital	79,052	93,253	130,356
Additional Capital	6,428	14,135	7,076
Total capital for loan risk, operational risk and market risk	85,480	107,388	137,432
Risk Based Asset (ATMR) for Loan	445,254	497,913	549,647
Risk Based Asset (ATMR) for Operational	67,787	78,628	91,932
Risk Based Asset (ATMR) for Market	1,863	805	1,801
Total Risk Based Asset (ATMR) for loan risk, operational risk and market risk	514,904	577,346	643,380

Capital Structure Policy

Bank Mandiri capital policy is prudently diversifying source of capital in order to anticipate long-term strategic plan and allocate the capital efficiently to the potential business segments which provide optimal risk-return profile, including placements and investments in subsidiaries in order to meet the stakeholders' expectations including investors and regulators.

In calculating the capital adequacy for loan risk, market risk and operational risk, Bank Mandiri refers to the regulation of Bank Indonesia. Bank Mandiri is using standardised approach for loan risk. Currently, Bank Mandiri is seeking to develop the calculation of capital requirements for loan risk with Initial Rating Based Approach (IRBA) and economic approach. An economic approach (economic capital) was developed for credit risk and operational risk. As for market risk, the Bank uses the Standard Model, which internally has been used Value at Risk as an Internal Model. For operational risk, the Bank refers to the Basic Indicator Approach (Basic Indicator Approach) and it simulates the Standardised Approach in accordance with Basel II.

Table of Capital Adequacy Ratio of Bank Mandiri based on PBI for 2014-2016 (%)

	2014	2015	2016
CAR for core capital	15.35	16.15	20.26
CAR for loan risk	19.20	21.57	25.00
CAR for loan and operational risk	16.66	18.63	21.42
CAR for loan and market risk	19.12	21.53	24.92
CAR for loan, operational and market risk	16.60	18.60	21.36
CAR for minimum core capital	6.00	6.00	6.00
CAR for minimum profit risk	9.00	9.00	9.52