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Main Highlights	Management Report	Company at a Glance	Management Discussion and Analysis on Company's Performance	Review of Business Support Function

Validation Model

Bank Mandiri has independent validation work unit in the Directorate of Risk Management and Compliance. This working unit is part of the internal risk control to provide quality assurance towards the development of models and regulatory compliance of Bank Indonesia. Its main responsibilities are as follows:

- Validating models used or developed in Bank Mandiri
- Participating actively involved in advisory process which related to the developments of models and risk management
- Inventory and monitoring models used in Bank Mandiri

Besides act as a second layer of defense in controlling operational risk model development process, model validation unit also responsible for the validity of the methods used in model development. The validation process or advisory verified by the Directorate of Internal Audit to ensure that the validation process has been in line with the principles of Good Corporate Governance (GCG).

Business Continuity Model (BCM)

Business Continuity Model (BCM) is a management process to identify potential threats to an organization and provides a framework for building resilience and the ability to respond effectively to a disaster situation so as to secure the interests of stakeholders, the company's reputation and brand.

Bank Mandiri as one of the largest and leading banking institutions, fully aware of its role in providing banking products and services and maintain business continuity both in normal conditions and in conditions of disruption or disaster. This encourages policies to create, test, implement and maintain the BCM to maintain the continuity of critical business operations and the necessary resources in the event of disruption or disaster. By forming BCM, Bank Mandiri could minimize the potential for financial loss, reputational damage and lawsuits when there is a disruption/disaster.

Efforts to maintain the continuity of business processes, operations and activities of all units within the Bank organization is a form of implementation of the vision, mission and business strategy of Bank, which is the shared responsibility of all levels of Bank.

BCM program is intended to develop and support the execution and implementation of BCM to be part of the Bank's operations. To ensure the reliability of Bank in the face of disruption/disaster which backed by formal structures of the Organization BCM and Crisis Management Team (CMT), the BCM implementation activities will be the object of internal and external audits.

Legal Basis and Policies

1. Financial Services Authority Regulation No.38/POJK.03/2016 on Implementation of Risk Management in Utilizing Information Technology by Commercial Banks.
2. BI Regulation No. 11/25/PBI/2009 dated July 1, 2009 on amendments of BI Regulation No. 5/8/PBI/2003 regarding Implementation of Risk Management for Banks.
3. SE BI No. 9/30/DPNP dated December 12, 2007 regarding Risk Management in the Use of Information Technology by Commercial Bank.

4. Bank Mandiri Risk Management Policy (KMRBM).
5. Policy of Internal Control Systems Bank Mandiri (KSPIBM).
6. Operational Policy of Bank Mandiri (KOBM).
7. Resolutions of Risk Management Committee (RMC) dated May 10, 2013.
8. Decisions of Policy & Procedure Committee (PPC), dated June 12, 2015.

The Development Plan of Risk Management System in 2017

To support the growth strategy of the operational business in order to always have a high competitiveness on banking sector either on National and ASEAN level, Bank Mandiri is consistently and sustainably going to develop infrastructure and capabilities of risk management, among others:

1. The alignment of risk level on Bank Mandiri
 - a. The implementation of Risk Appetite Statement (RAS) as formal guidelines in the process of risk taking to achieve business targets.
 - b. Develop a systems which intended to calculate the aggregation of stress testing for credit risk, liquidity risk, market risk, impact on the profit / loss and capital adequacy ratio (CAR), at Bank Mandiri and Subsidiaries.
2. Strengthening Credit Portfolio Management Strategy through Portfolio Management, Portfolio Mix, Pipeline Management, and Credit Supervisory via Credit Portfolio Management Strategy Project.
3. Improving end to end credit process on the wholesale segment through:
 - a. Business process improvement on wholesale segment with determination of limits for anchor client and specific sectors.
 - b. The implementation of Name Clearance on the determination of the debtor pipeline and Proactive Loan Monitoring System for credit monitoring.
 - c. Strengthening the information resources of the debtor in order to analyze and monitor credit quality.
 - d. Enhancement Credit Processing System in order to improve end to end credit process
 - e. Optimizing the use of limit management system.
4. The efficient use of capital through:
 - a. The implementation of IRBA Fase III
 - b. Enhancement Modeling Basel II Risk Parameters for Retail Portfolio
 - c. The implementation of New Operational Risk Reporting System
 - d. Enhancement Calculation of Operational Risk Capital Expenses
 - e. The intensification and extensification of Validation Functions
5. The development model of Expected Credit Loss as the preparation for the implementation of IFRS 9.
6. Optimizing the Management of Assets & Liabilities, through management of Earning Asset Yield and Cost of Liability, Pricing Strategy, and Implementation of New ALM Solutions.
7. Optimizing the implementation of Operational Risk Management framework by improving the policies, procedures, tools, and systems, as well as the implementation of the Operational Risk Forum.
8. Compliance Disaster Recovery Center (DRC) in the framework of sustainability of the Risk Management System.