

**PT Bank Mandiri (Persero) Tbk.
and Subsidiaries**

Consolidated financial statements
as of December 31, 2016 and
for the year then ended
with independent auditors' report

**BOARD OF DIRECTORS' STATEMENT
REGARDING
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016
PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES**

PT Bank Mandiri (Persero) Tbk.
Plaza Mandiri
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We, the undersigned:

1. Name : Kartika Wirjoatmodjo
Office address : Jl. Jend. Gatot Subroto Kav. 36-38
Jakarta 12190
Residential address as stated in ID : Jl. Duren Tiga Selatan No.14 RT. 004 RW. 002
Kelurahan Duren Tiga, Kecamatan Pancoran,
Kotamadya Jakarta Selatan
Phone number : 021 – 5245653
Title : President Director
2. Name : Pahala N. Mansury
Office address : Jl. Jend. Gatot Subroto Kav. 36-38
Jakarta 12190
Residential address as stated in ID : Jl. Empu Sendok No. 23 RT. 008 RW. 003
Kelurahan Selong, Kecamatan Kebayoran Baru,
Kotamadya Jakarta Selatan
Phone number : 021 – 5245577
Title : Director

in the above positions acted as and on behalf of the Board of Directors of PT Bank Mandiri (Persero) Tbk. declare that:

1. We are responsible for the preparation and presentation of the consolidated financial statements of PT Bank Mandiri (Persero) Tbk. ("Bank") and Subsidiaries;
2. The consolidated financial statements of the Bank and Subsidiaries have been prepared and presented in accordance with Indonesian Financial Accounting Standard;
3. a. All information in the consolidated financial statements of the Bank and Subsidiaries have been disclosed in a complete and truthful manner;
b. The consolidated financial statements of the Bank and Subsidiaries do not contain any incorrect information or material facts, nor do they omit information or material fact;
4. We are responsible for the Bank and Subsidiaries' internal control system.

Thus this statement is made truthfully.

Jakarta, 30 January 2017




Kartika Wirjoatmodjo
President Director
Pahala N. Mansury
Director

These consolidated financial statements are originally issued in Bahasa.

**PT BANK MANDIRI (PERSERO) Tbk.AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016 AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

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Purwantono, Sungkoro & Surja

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The original report included herein is in the Indonesian language.

Independent Auditors' Report

Report No. RPC-2941/PSS/2017

The Shareholders and the Boards of Commissioners and Directors PT Bank Mandiri (Persero) Tbk.

We have audited the accompanying consolidated financial statements of PT Bank Mandiri (Persero) Tbk. and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The original report included herein is in the Indonesian language.

Independent Auditors' Report (continued)

Report No. RPC-2941/PSS/2017 (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Bank Mandiri (Persero) Tbk. and its subsidiaries as of December 31, 2016, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Other matter

Our audit of the accompanying consolidated financial statements of PT Bank Mandiri (Persero) Tbk. and its subsidiaries as of December 31, 2016 and for the year then ended, was performed for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The above financial information of PT Bank Mandiri (Persero) Tbk. (parent entity), which comprises the statement of financial position as of December 31, 2016, and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended (collectively referred to as the "Parent Entity Financial Information"), which is presented as a supplementary information to the above consolidated financial statements, is presented for the purpose of additional analysis and is not a required part of the above consolidated financial statements under Indonesian Financial Accounting Standards. The Parent Entity Financial Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the above consolidated financial statements. The Parent Entity Financial Information has been subjected to the auditing procedures applied in the audit of the above consolidated financial statements in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. In our opinion, the Parent Entity Financial Information is fairly stated, in all material respects, in relation to the above consolidated financial statements taken as a whole.

Purwantono, Sungkoro & Surja



Danil Setiadi Handaja, CPA
Public Accountant Registration No. AP.1008

January 30, 2017

These consolidated financial statements are originally issued in Bahasa.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	December 31, 2016	December 31, 2015
ASSETS			
Cash	2c,2g,61.B.(viii)	22,906,775	25,109,124
Current accounts with Bank Indonesia	2c,2g,2h,4	52,484,974	56,314,316
Current accounts with other banks	2c,2f,2g,2h,5		
Related parties	55	25,861	24,515
Third parties		10,337,353	10,131,111
		10,363,214	10,155,626
Less: allowance for impairment losses		(3,049)	(3,412)
Total - net		10,360,165	10,152,214
Placements with Bank Indonesia and other banks	2c,2f,2i,6		
Related parties	55	1,725,571	1,991,278
Third parties		71,974,664	35,396,345
		73,700,235	37,387,623
Less: allowance for impairment losses		(83,308)	(66,760)
Total - net		73,616,927	37,320,863
Marketable securities	2c,2f,2j,7		
Related parties	55	18,571,548	16,516,404
Third parties		38,250,931	27,787,131
		56,822,479	44,303,535
Less: unamortised discounts/premiums, unrealised gains/losses from decrease in fair value and allowance for impairment losses		(270,836)	(661,971)
Total - net		56,551,643	43,641,564
Government bonds - net- related party	2c,2f,2k,8,55	98,933,278	103,869,361
Other receivables - trade transactions	2c,2f,2l,9		
Related parties	55	5,934,300	7,051,775
Third parties		9,989,818	7,860,738
		15,924,118	14,912,513
Less: allowance for impairment losses		(1,756,847)	(1,727,747)
Total - net		14,167,271	13,184,766
Securities purchased under resale agreements	2c,2m,10		
Third parties		5,054,488	676,900
Derivative receivables	2c,2f,2n,11		
Related parties	55	3,660	32,152
Third parties		235,600	668,732
Total		239,260	700,884

The accompanying notes form an integral part of these consolidated financial statements.

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PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	December 31, 2016	December 31, 2015
ASSETS (continued)			
Loans and sharia financing/receivables	2c,2f,2o,12		
Related parties	55	100,201,483	75,405,807
Third parties		549,121,470	511,269,630
		649,322,953	586,675,437
Less: allowance for impairment losses		(32,616,760)	(22,281,842)
Total - net		616,706,193	564,393,595
Consumer financing receivables	2c,2f,2p,13		
Related parties	55	10,532	5,886
Third parties		11,844,684	8,172,177
		11,855,216	8,178,063
Less: allowance for impairment losses		(323,378)	(270,614)
Total - net		11,531,838	7,907,449
Investment in lease financing	2c,2q,14		
Third parties		834,483	604,150
Less: allowance for impairment losses		(4,538)	(5,791)
Total - net		829,945	598,359
Acceptances receivable	2c,2f,2u,15		
Related parties	55	415,848	409,880
Third parties		14,373,396	10,921,393
		14,789,244	11,331,273
Less: allowance for impairment losses		(241,041)	(107,030)
Total - net		14,548,203	11,224,243
Investment in shares	2s,16		
Related parties	55	50,331	50,331
Third parties		205,078	8,313
		255,409	58,644
Less: allowance for impairment losses		(10,273)	(10,250)
Total - net		245,136	48,394
Prepaid expenses	17	2,751,081	2,299,852
Prepaid taxes	2ad,33a	2,612,707	4,817,396
Fixed assets	2r.i, 2r.ii,18	44,736,920	17,470,126
Less: accumulated depreciation		(9,073,630)	(7,708,438)
Total - net		35,663,290	9,761,688
Intangible assets	2r.iii, 2s,19	4,213,322	3,793,181
Less: accumulated of amortisation		(2,257,826)	(1,877,989)
Total - net		1,955,496	1,915,192
Other assets	2c,2t,2v,20	12,071,684	11,724,756
Less: Other allowances		(514,446)	(432,029)
Total - net		11,557,238	11,292,727
Deferred tax assets - net	2ad,33e	5,990,101	4,834,522
TOTAL ASSETS		1,038,706,009	910,063,409

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PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	December 31, 2016	December 31, 2015
LIABILITIES, TEMPORARY SYIRKAH FUNDS AND EQUITY			
LIABILITIES			
Obligation due immediately	2w	1,569,911	1,156,327
Deposits from customers			
Demand deposits/ <i>wadiah</i> demand deposits	2c,2f,2x,21		
Related parties	55	48,729,926	38,252,185
Third parties		138,253,402	133,902,303
Total		186,983,328	172,154,488
Saving deposits/ <i>wadiah</i> saving deposits	2c,2f,2x,22		
Related parties	55	1,973,087	1,342,075
Third parties		275,196,737	247,609,564
Total		277,169,824	248,951,639
Time deposits	2c,2f,2x,23		
Related parties	55	46,271,999	37,257,210
Third parties		191,635,079	163,968,994
Total		237,907,078	201,226,204
Total deposits from customers		702,060,230	622,332,331
Deposits from other banks			
Demand/ <i>wadiah</i> demand deposits and saving deposits	2c,2f,2y,24		
Related parties	55	45,912	70,176
Third parties		4,254,853	3,674,113
Total		4,300,765	3,744,289
Interbank call money	2c,2f,2y,25		
Related parties	55	40,000	600,000
Third parties		1,240,952	3,164,363
Total		1,280,952	3,764,363
Time deposits	2c,2y,26		
Related parties	55	286,210	-
Third parties		3,471,269	5,127,585
Total		3,757,479	5,127,585
Total deposits from other banks		9,339,196	12,636,237
Liability to unit-link policyholders	2z,27	19,602,950	17,019,049

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PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	December 31, 2016	December 31, 2015
LIABILITIES, TEMPORARY SYIRKAH FUNDS AND EQUITY (continued)			
LIABILITIES (continued)			
Securities sold under repurchase agreements	2c,2f,2m,28		
Related parties	55	230,024	467,123
Third parties		3,123,018	4,396,048
Total		3,353,042	4,863,171
Derivative payables	2c,2f,2n,11		
Related parties	55	10,058	3,095
Third parties		492,411	295,984
Total		502,469	299,079
Acceptances payable	2c,2f,2u,29		
Related parties	55	2,481,708	606,737
Third parties		12,307,536	10,724,536
Total		14,789,244	11,331,273
Marketable securities issued	2c,2f,2aa,30		
Related parties	55	3,662,000	587,750
Third parties		5,398,035	1,815,018
		9,060,035	2,402,768
Less: Unamortised issuance cost		(34,041)	(4,590)
Total - net		9,025,994	2,398,178
Estimated losses on commitments and contingencies	2c,31c	207,401	395,610
Accrued expenses	2c,2af,32	3,743,496	3,490,801
Taxes payable	2ad,33b	1,258,792	2,131,616
Employee benefit liabilities	2ai,34,50	6,763,068	5,777,077
Provision	62b	435,880	676,170
Other liabilities	2c,35	15,810,036	14,189,412
Fund borrowings	2c,2f,2ab,36		
Related parties	55	-	25,178
Third parties		35,882,757	33,739,493
Total		35,882,757	33,764,671

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PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	December 31, 2016	December 31, 2015
LIABILITIES, TEMPORARY SYIRKAH FUNDS AND EQUITY (continued)			
LIABILITIES (continued)			
Subordinated loans	2c,2f,2ac,37		
Related parties	55	-	1,687,800
Third parties		215,432	2,053,867
Total		215,432	3,741,667
Less: Unamortised issuance cost		-	(3,964)
Total		215,432	3,737,703
TOTAL LIABILITIES		824,559,898	736,198,705
TEMPORARY SYIRKAH FUNDS			
Deposits from customers	2f,2ae,38		
Related parties	55		
Saving deposits - restricted investment and <i>Mudharabah</i> saving deposits - unrestricted investment	2a,38a	28,047	228,059
<i>Mudharabah</i> time deposits - unrestricted investment	3,38a	886,344	438,297
Total related parties		914,391	666,356
Third parties			
Demand deposits - restricted Investments and <i>Mudharabah Musytarakah</i> demand deposits	1,38a	68,925	11,502
Saving deposits - restricted investment and <i>Mudharabah</i> saving deposits - unrestricted investment	2a,38a	25,129,743	22,527,832
<i>Mudharabah</i> time deposits - unrestricted investment	3,38a	34,327,415	30,849,240
Total third parties		59,526,083	53,388,574
Total deposits from customers		60,440,474	54,054,930
Deposits from other banks			
Third parties			
<i>Mudharabah</i> saving deposit - unrestricted investment	38b	258,325	244,385
<i>Mudharabah</i> time deposit - unrestricted investment	38b	77,589	73,548
Total deposits from other banks		335,914	317,933
TOTAL TEMPORARY SYIRKAH FUNDS		60,776,388	54,372,863

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PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
LIABILITIES, TEMPORARY SYIRKAH FUNDS AND EQUITY (continued)			
EQUITY			
Equity attributable to equity holders of the parent entity			
Share capital - Rp500 (full amount) par value per share			
Authorised capital - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B			
Issued and fully paid-in capital - 1 share Dwiwarna Series A and 23,333,333,332 common shares Series B	40a	11,666,667	11,666,667
Additional paid-in capital/agio	40b	17,316,192	17,316,192
Difference arising from translation of financial statements in foreign currencies	2e	202,363	242,807
Difference arising from transaction with non controlling interest	1g	(92,751)	(92,751)
Unrealised losses on available for sale marketable securities and government bonds after deferred tax	2j,2k	(759,364)	(1,565,019)
Asset revaluation reserve	2r.i,18	25,140,523	-
Net actuarial gain on defined benefit plan - net of deferred tax	2ai,33,55	49,515	277,676
Retained earnings (accumulated losses of Rp162,874,901 were eliminated against additional paid-in capital as a result of quasi - reorganisation as of April 30, 2003)			
Appropriated	40c	5,380,268	12,402,382
Unappropriated		91,550,525	76,822,336
Total retained earnings		96,930,793	89,224,718
		150,453,938	117,070,290
Noncontrolling interests in net assets of consolidated Subsidiaries	2d,39	2,915,785	2,421,551
TOTAL EQUITY		153,369,723	119,491,841
TOTAL LIABILITIES, TEMPORARY SYIRKAH FUNDS AND EQUITY		1,038,706,009	910,063,409

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in Bahasa.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Year ended December 31,	
		2016	2015
INCOME AND EXPENSES FROM OPERATIONS			
Interest income and sharia income	2f,2af,41,55		
Interest income		71,145,401	66,366,659
Sharia income		5,564,487	5,203,468
Total interest income and sharia income		76,709,888	71,570,127
Interest expense and sharia expense	2f,2af,42,55		
Interest expense		(22,484,799)	(23,768,912)
Sharia expense		(2,399,720)	(2,438,112)
Total interest expense and sharia expense		(24,884,519)	(26,207,024)
NET INTEREST AND SHARIA INCOME		51,825,369	45,363,103
Premium income	2ag	9,377,741	9,546,893
Claims expense	2ag	(6,725,310)	(6,409,823)
NET PREMIUM INCOME		2,652,431	3,137,070
NET INTEREST, SHARIA AND PREMIUM INCOME		54,477,800	48,500,173
Other operating income			
Other fees and commissions	2ah	11,440,002	10,014,810
Foreign exchange gains and derivative transactions - net	2e,2n	2,265,234	2,238,098
Others	43	5,581,189	6,125,770
Total other operating Income		19,286,425	18,378,678
Allowance for impairment losses	2c,44	(24,943,938)	(11,664,837)
Reversal of/(provision for) impairment losses on commitments and contingencies	2c,31c	181,459	(198,450)
Reversal of/(provision for) other allowances	2t,45	117,637	(179,242)
Unrealised gains/(losses) from increase/(decrease) in fair value of marketable securities, government bonds and policyholders' investment in unit-link contracts	2j,2k,2z,46	15,638	(18,306)
Gains on sale of marketable securities and government bonds	2j,2k,47	745,904	275,499

The accompanying notes form an integral part of these consolidated financial statements.

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PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (continued)
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Year ended December 31,	
		2016	2015
Other operating expenses			
Salaries and employee benefits	2f,2ai, 48,50,55	(13,618,745)	(12,376,655)
General and administrative	2r,49	(13,958,211)	(12,799,851)
Others - net	51	(3,691,242)	(3,578,037)
Total other operating expenses		(31,268,198)	(28,754,543)
INCOME FROM OPERATION		18,612,727	26,338,972
Non operating (expense)/income - net	52	(39,762)	30,458
INCOME BEFORE TAX EXPENSE AND NON CONTROLLING INTEREST		18,572,965	26,369,430
Income tax expense			
Current	2ad,33c,33d	(5,088,924)	(5,548,058)
Deferred	2ad,33c,33e	1,166,122	331,026
Income tax expense - net		(3,922,802)	(5,217,032)
NET INCOME FOR THE YEAR		14,650,163	21,152,398
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Gains on fixed asset revaluation	2r.i	25,140,558	-
Actuarial (losses)/gains from defined benefit plan	2ai	(288,896)	339,697
Income tax related to items that will not be reclassified to profit or loss		57,776	(65,960)
		24,909,438	273,737
Items that will be reclassified to profit or loss			
Difference arising from translation of financial statements in foreign currencies	2e	(40,722)	39,182
Changes in fair value of available for sale financial assets	2j,2k	945,231	(1,268,960)
Income tax related to items that will be reclassified to profit or loss		(119,062)	250,472
		785,447	(979,306)
Other comprehensive income/(loss) for the year - net of income tax		25,694,885	(705,569)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		40,345,048	20,446,829
Net income attributable to:			
Parent Entity		13,806,565	20,334,968
Noncontrolling interest	2d	843,598	817,430
		14,650,163	21,152,398

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PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (continued)
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Year ended December 31,	
		2016	2015
Total comprehensive income attributable to:			
Parent Entity		39,484,138	19,658,155
Noncontrolling interest	2d	860,910	788,674
		40,345,048	20,446,829
EARNINGS PER SHARE	2aj		
Basic (full amount of Rupiah)		591.71	871.50
Diluted (full amount of Rupiah)		591.71	871.50

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PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Issued and fully paid-in capital	Additional paid-in capital	Differences arising from translation of financial statements in foreign currencies	Net unrealised loss on available for sale marketable securities and government bonds - net of deferred tax	Difference arising from transaction with non controlling interest	Actuarial gain on defined benefit plan - net of deferred tax	Retained earnings			Noncontrolling interest in net assets of consolidated subsidiaries	Total equity
								Appropriated	Unappropriated	Total		
Balance as of January 1, 2015		11,666,667	17,316,192	203,625	(571,348)	-	-	9,779,446	64,263,299	74,042,745	2,186,681	104,844,562
First implementation of allowance for impairment losses (net of tax) in a Subsidiary	64	-	-	-	-	-	-	-	(185,027)	(185,027)	-	(185,027)
Dividends payment from 2014 net income	40c	-	-	-	-	-	-	-	(4,967,968)	(4,967,968)	-	(4,967,968)
The establishment of specific reserves from 2014 net income	40c	-	-	-	-	-	-	2,622,936	(2,622,936)	-	-	-
Difference arising from transactions with noncontrolling interest		-	-	-	-	(92,751)	-	-	-	-	-	(92,751)
Changes in noncontrolling interest arising from distribution of dividend and changes in Subsidiary's equity	2d	-	-	-	-	-	-	-	-	-	(553,804)	(553,804)
Income for the current year		-	-	-	-	-	-	-	20,334,968	20,334,968	817,430	21,152,398
Comprehensive income for the current year		-	-	39,182	(993,671)	-	277,676	-	-	-	(28,756)	(705,569)
Balance as of December 31, 2015		11,666,667	17,316,192	242,807	(1,565,019)	(92,751)	277,676	12,402,382	76,822,336	89,224,718	2,421,551	119,491,841

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in Bahasa.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

Notes	Issued and fully paid-in capital	Additional paid-in capital	Difference arising from translation of financial statements in foreign currencies	Net unrealised loss on available for sale marketable securities and government bonds - net of deferred tax	Difference arising from transaction with noncontrolling interest	Asset revaluation reserve	Actuarial gain on defined benefit plan - net of deferred tax	Retained earnings		Total	Noncontrolling interest in net assets of consolidated subsidiaries	Total equity
								Appropriated	Unappropriated			
Balance as of January 1, 2016	11,666,667	17,316,192	242,807	(1,565,019)	(92,751)	-	277,676	12,402,382	76,822,336	89,224,718	2,421,551	119,491,841
Dividend payment from 2015 net income	40c	-	-	-	-	-	-	-	(6,100,490)	(6,100,490)	-	(6,100,490)
The establishment of specific reserves from 2015 net income	40c	-	-	-	-	-	-	2,277,517	(2,277,517)	-	-	-
Reclassification from specific reserves into retained earnings	40c	-	-	-	-	-	-	(9,299,631)	9,299,631	-	-	-
Changes in noncontrolling interest arising from distribution of dividend and changes in Subsidiary's equity	2d	-	-	-	-	-	-	-	-	-	(366,676)	(366,676)
Income for the current year		-	-	-	-	-	-	-	13,806,565	13,806,565	843,598	14,650,163
Comprehensive income for the current year		-	(40,444)	805,655	-	25,140,523	(228,161)	-	-	-	17,312	25,694,885
Balance as of December 31, 2016	11,666,667	17,316,192	202,363	(759,364)	(92,751)	25,140,523	49,515	5,380,268	91,550,525	96,930,793	2,915,785	153,369,723

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in Bahasa.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Year ended December 31,	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interest income		68,369,500	63,435,118
Receipts from sharia income		5,402,923	5,125,967
Receipts from provision, commissions and premium income - net		14,092,433	13,151,880
Payments of interest expense		(22,253,266)	(23,857,228)
Payments of sharia expense		(2,382,950)	(2,446,213)
Receipts from the sale of government bonds - fair value through profit or loss		47,558,159	31,695,656
Acquisition of government bonds - fair value through profit or loss		(46,378,950)	(32,543,993)
Foreign exchange gains - net		3,151,361	568,115
Other operating income - others		1,879,255	2,695,638
Other operating expenses - others		(3,707,546)	(3,884,426)
Salaries and employee benefits		(12,860,915)	(11,503,062)
General and administrative expenses		(12,200,718)	(11,309,466)
Non-operating (expense)/income - net		(39,882)	30,458
Payment of corporate income tax		(5,943,662)	(5,299,131)
Cash flows from operating activities before changes in operating assets and liabilities		34,685,742	25,859,313
Decrease/(increase) in operating assets:			
Placements with Bank Indonesia and other banks		1,105,862	(74,344)
Marketable securities - fair value through profit or loss		(3,700,426)	5,930,922
Other receivables - trade transactions		(1,011,605)	(1,674,546)
Loans		(69,655,474)	(67,712,998)
Sharia financing/receivable		(5,983,097)	(3,541,099)
Securities purchased under resale agreements		(4,377,588)	19,109,845
Consumer financing receivable		(4,079,414)	(2,305,938)
Net investment in lease financing		(231,782)	170,521
Prepaid taxes		2,204,689	(2,225,414)
Prepaid expenses		(451,229)	(462,352)
Other assets		(42,059)	627,894
Proceeds from collection of financial assets already written-off	43	3,701,934	3,430,132
Increase/(decrease) in operating liabilities and temporary <i>syirkah</i> funds:			
Conventional banking			
Demand deposits		15,377,874	44,702,559
Saving deposits		28,225,627	17,133,981
Time deposits		35,310,768	(28,721,091)
Inter-bank call money		(2,483,411)	872,363
Obligation due immediately		413,584	(39)
Liability to unit - linked policyholders	27	2,583,901	(324,750)

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in Bahasa.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Year ended December 31,	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
(continued)			
Increase/(decrease) in operating liabilities and temporary <i>syirkah</i> funds (continued):			
Other taxes payable		(7,543)	(306,828)
Other liabilities		3,531,241	(1,484,053)
Sharia banking - temporary <i>syirkah</i> funds			
- Demand deposit - restricted investment and demand deposit - <i>mudharabah musytarakah</i>		57,423	(2,031)
- Saving deposit - restricted investment and <i>mudharabah</i> saving deposit - unrestricted investment		2,415,839	1,852,989
- <i>Mudharabah</i> time deposit - unrestricted investment		3,930,263	(653,582)
Net cash provided by operating activities		41,521,119	10,201,454
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in marketable securities - other than fair value through profit or loss		(8,924,594)	(9,640,061)
Decrease/(increase) in government bonds - other than fair value through profit or loss		5,320,566	(17,604,588)
Proceeds from sale of fixed assets		10,935	4,202
Acquisition of fixed assets		(2,149,547)	(1,135,677)
Acquisition of intangible assets		(420,141)	(573,199)
Net cash used in investing activities		(6,162,781)	(28,949,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase of investment in subsidiaries		(546,129)	(675,283)
Increase in marketable securities issued		6,627,816	388,553
Increase in fund borrowings		3,076,681	7,291,307
Decrease in subordinated loans		(3,522,271)	(8,871)
Decrease in securities sold under repurchase agreements	28	(1,510,129)	(1,249,418)
Payments of dividends	40c	(6,100,490)	(4,967,968)
Net cash (used in)/provided by financing activities		(1,974,522)	778,320

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in Bahasa.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)

	Notes	Year ended December 31,	
		2016	2015
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		33,383,816	(17,969,549)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(1,491,116)	4,832,573
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		125,667,407	138,804,383
CASH AND CASH EQUIVALENTS AT END OF YEAR		157,560,107	125,667,407
Cash and cash equivalents at end of year consists of:			
Cash		22,906,775	25,109,124
Current accounts with Bank Indonesia	4	52,484,974	56,314,316
Current accounts with other banks	5	10,363,214	10,155,626
Placements in Bank Indonesia and other banks		71,209,865	33,791,391
Certificates of Bank Indonesia		595,279	296,950
Total cash and cash equivalents		157,560,107	125,667,407

The accompanying notes form an integral part of these consolidated financial statements.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2016 and for the year then ended
(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL INFORMATION

a. Establishment

PT Bank Mandiri (Persero) Tbk. (hereinafter referred to as “Bank Mandiri” or the “Bank”) was established on October 2, 1998 in the Republic of Indonesia based on notarial deed No. 10 of Sutjipto, S.H., under Government Regulation No. 75 of 1998 dated October 1, 1998. The deed of establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-16561.HT.01.01.TH.98 dated October 2, 1998 and was published in Supplement No. 6859 of State Gazette No. 97 dated December 4, 1998.

Bank Mandiri was established through the merger of PT Bank Bumi Daya (Persero) (“BBD”), PT Bank Dagang Negara (Persero) (“BDN”), PT Bank Ekspor Impor Indonesia (Persero) (“Bank Exim”) and PT Bank Pembangunan Indonesia (Persero) (“Bapindo”) (hereinafter collectively referred to as the “Merged Banks”).

Based on Article 3 of the Bank’s Articles of Association, Bank Mandiri is engaged in banking activities in accordance with prevailing laws and regulations. The Bank commenced its operations on August 1, 1999.

Articles of Association of Bank Mandiri has been amended several times. The latest amendment is in relation to the provisions of (i) Regulation of the Indonesia Financial Services Authority (Otoritas Jasa Keuangan (“OJK”)) No. 32/POJK.04/2014 on the Planning and Implementation of the Shareholders General Meeting of Shareholders of the Public Company and (ii) the FSA Regulation No. 33/POJK.04/2014 of the Board of Directors and Board of Commissioners of Public Company. Amendments to the Articles of Association referred to the amendment of Article 4, paragraph 4, Article 4, paragraph 5, Article 9, Article 10, Article 11, Article 12, Article 13, Article 14, Article 15, Article 16, Article 17, Article 18, Article 19, Article 20, Article 21, Article 22, Article 24, Article 25 and Article 26. This amendment implemented by Deed Ashoya Ratam, SH, M.kn No. 14 dated April 14, 2015 and has been reported to the Ministry of Law and Human Rights Republic of Indonesia with receipt No. AHU-AH.01.03-0924779 on April 16, 2015 and has been registered in the Company Register No. AHU-3493045.AH.01.11.Tahun 2015 dated April 16, 2015.

b. Merger

At the end of February 1998, the Government of the Republic of Indonesia (hereinafter referred to as “Government”) announced its plan to restructure the Merged Banks. In connection with that restructuring plan, the Government established Bank Mandiri in October 1998 through the payment of cash and the acquisition of the Government’s shares of stock of the Merged Banks (Notes 40a and 40b). The difference between the transfer price and the book value of the shares of stock at the time of the restructuring was not calculated as it was considered as not practicable to do so. All losses incurred during the year of restructuring were taken into account in the Recapitalisation Program.

The above mentioned restructuring plan was designed for the merger of the Merged Banks into Bank Mandiri on July 1999 and the recapitalisation of Bank Mandiri. The restructuring of the Merged Banks into Bank Mandiri also covered the following:

- Restructuring of loans
- Restructuring of non-loan assets
- Rationalisation of domestic and overseas offices
- Rationalisation of human resources

Based on the notarial deed of Sutjipto, S.H., No. 100 dated July 24, 1999, the Merged Banks were legally merged into Bank Mandiri. The merger deed was legalised by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C-13.781.HT.01.04.TH.99 dated July 29, 1999 and approved by the Governor of Bank Indonesia in its decision letter No. 1/9/KEP.GBI/1999 dated July 29, 1999. The merger was declared effective by the Chief of the South Jakarta Ministry of Industry and Trade Office in its Decision Letter No. 09031827089 dated July 31, 1999.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2016 and for the year then ended
(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL INFORMATION (continued)

b. Merger (continued)

Effective from the date of the merger:

- All assets and liabilities of the Merged Banks were transferred to Bank Mandiri as the Surviving Bank;
- All operations and business activities of the Merged Banks were transferred and operated by Bank Mandiri;
- Bank Mandiri received additional paid-in capital amounting to Rp1,000,000 (one million Rupiah) (full amount) or equivalent to 1 (one) share represented the remaining shares owned by the Government in the Merged Banks (Notes 40a and 40b).

On the effective date, the Merged Banks were legally dissolved without liquidation process and Bank Mandiri, as the surviving bank, received all the rights and obligations from the Merged Banks.

c. Recapitalisation

In response to the effects of the adverse economic conditions on the banking sector in Indonesia, on December 31, 1998, the Government issued Regulation No. 84 of 1998 regarding Recapitalisation Program for Commercial Banks, which was designed to increase the paid-in capital of commercial banks to enable them to meet the minimum requirement of Capital Adequacy Ratio ("CAR"). The eligibility of commercial banks for inclusion in the Recapitalisation Program is based on requirements and procedures set forth in the Joint Decrees No. 53/KMK.017/1999 and No. 31/12/KEP/GBI dated February 8, 1999 of the Ministry of Finance and the Governor of Bank Indonesia. Under the Joint Decrees, the Government, among others, shall implement the Recapitalisation Program for Commercial Banks with respect to all State-Owned Banks, Regional Development Banks, and Commercial Banks, with the status of "Taken Over Bank", by the Indonesian Bank Restructuring Agency ("IBRA").

On May 28, 1999, the Government issued Regulation No. 52 of 1999 (PP No. 52/1999) regarding additional capital investment by the Government of Republic of Indonesia in Bank Mandiri through issuance of Government Recapitalisation Bonds to be issued then by the Ministry of Finance with a value of up to Rp137,800,000. The implementation of PP No. 52/1999 is set forth in Joint Decrees - No. 389/KMK.017/1999 and No. 1/10/KEP/GBI dated July 29, 1999 of the Ministry of Finance and the Governor of Bank Indonesia.

While the Government Recapitalisation Bonds had not yet been issued, at the point in time, Bank Mandiri has accounted the bonds as "Due from the Government" amounting to Rp137,800,000 in accordance with the Government's Commitment through the Ministry of Finance's letter No. S-360/MK.017/1999 dated September 29, 1999 and the approval of the Ministry of State-Owned Enterprises in letter No. S-510/M-PBUMN/1999 dated September 29, 1999.

Based on Bank Indonesia Letter No. 1/1/GBI/DPIP dated October 11, 1999, concerning the issuance of Government Bonds/Debentures in connection with the Government of the Republic of Indonesia's investment in Bank Mandiri, Bank Indonesia agreed to include the above receivable as Bank Mandiri's core capital (Tier 1) for the purposes of calculating its Capital Adequacy Ratio (CAR) as of July 31, 1999 through September 30, 1999, with a condition that not later than October 15, 1999 the Government Bonds/Debentures should have been received by Bank Indonesia.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2016 and for the year then ended
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1. GENERAL INFORMATION (continued)

c. Recapitalisation (continued)

Based on Government Regulation No. 97 of 1999 dated December 24, 1999 concerning the increase in capital of the Government in Bank Mandiri in relation to the Recapitalisation Program, the Government increased its investment to a maximum of Rp42,200,000, so that the total maximum investment amounting to Rp180,000,000.

In relation to the implementation of the above Government Regulations No. 52 and No. 97 of 1999, in the Temporary Recapitalisation Agreement between the Government and Bank Mandiri and its amendment, the Government issued Government Recapitalisation Bonds in 2 (two) tranches of Rp103,000,000 on October 13, 1999 and Rp75,000,000 on December 28, 1999 so that as of December 31, 1999 the total Government Recapitalisation Bonds issued in accordance with the aforementioned agreements amounting to Rp178,000,000.

Based on the Management Contract dated April 8, 2000 between Bank Mandiri and the Government, the total amount of recapitalisation required by Bank Mandiri was Rp173,931,000, or less than the amount of the Government Recapitalisation Bonds. The excess of Rp1,412,000 was used as additional paid-in capital and the remaining balance of Rp2,657,000 was returned to the Government on July 7, 2000 in the form of Government Recapitalisation Bonds equivalent to 2,657,000 (two million six hundred and fifty seven thousand) units.

Based on the Letter of the Ministry of Finance of the Republic of Indonesia No. S-174/MK.01/2003 dated April 24, 2003 regarding the return of the excess Government Recapitalisation Bonds, which was previously used as additional paid-in capital, Government Recapitalisation Bonds amounting to Rp1,412,000 were returned to the Government on April 25, 2003 (Note 40b).

The Ministry of Finance of the Republic of Indonesia issued decrees ("KMK-RI") No.227/KMK.02/2003 dated May 23, 2003 and KMK-RI No.420/KMK-02/2003 dated September 30, 2003 confirmed that the final amount of the addition of the Government's participation in Bank Mandiri was amounting to Rp173,801,315 (Note 40b).

d. Initial Public Offering of Bank Mandiri and Quasi-Reorganisation

Initial Public Offering of Bank Mandiri

Bank Mandiri submitted its registration for an Initial Public Offering (IPO) to FSA, previously the Capital Market Supervisory Board and Financial Institution ("Bapepam and LK") on June 2, 2003 and became effective based on the Letter of the Chairman of Bapepam and LK No. S-1551/PM/2003 dated June 27, 2003.

The Bank's name was changed from PT Bank Mandiri (Persero) to PT Bank Mandiri (Persero) Tbk. based on an amendment to the Articles of Association which been held with notarial deed of Sutjipto, S.H., No. 2 dated June 1, 2003 and approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. C-12783.HT.01.04.TH.2003 dated June 6, 2003 that was published in the State Gazette No. 63 dated August 8, 2003, Supplement State Gazette No. 6590.

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
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1. GENERAL INFORMATION (continued)

d. Initial Public Offering of Bank Mandiri and Quasi-Reorganisation (continued)

Initial Public Offering of Bank Mandiri (continued)

On July 14, 2003, Bank Mandiri sold its 4,000,000,000 Common Shares Series B through IPO, with a nominal value of Rp500 (full amount) per share with an initial selling price of Rp675 (full amount) per share. The IPO represents a divestment of 20.00% of the ownership of the Government in Bank Mandiri (Note 40a).

On July 14, 2003, 19,800,000,000 of Bank Mandiri's Common Shares Series B were listed on the Jakarta Stock Exchange and Surabaya Stock Exchange based on Jakarta Stock Exchange's Approval Letter No. S-1187/BEJ.PSJ/07-2003 dated July 8, 2003 and Surabaya Stock Exchange's Approval Letter No. JKT-028/LIST/BES/VII/2003 dated July 10, 2003.

Quasi-Reorganisation

In order for Bank Mandiri to eliminate the negative consequences of being burdened by accumulated losses, the Bank undertook quasi-reorganisation as approved in the Extraordinary General Meeting of Shareholders ("RUPS-LB") on May 29, 2003.

The quasi-reorganisation adjustments were booked on April 30, 2003 where the accumulated losses of Rp162,874,901 were eliminated against additional paid-in capital.

Bank Mandiri's Articles of Association were amended to due the changes in additional paid-in capital as a result of quasi-reorganisation, based on notarial deed of Sutjipto, S.H., No. 130 dated September 29, 2003 which was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. C-25309.HT.01.04.TH.2003 dated October 23, 2003 and was published in the State Gazette No. 910, Supplement No. 93 dated October 23, 2003.

On October 30, 2003, Bank Mandiri's RUPS-LB approved the quasi-reorganisation as of April 30, 2003, which were notarised by Sutjipto, S.H. in notarial deed No. 165 dated October 30, 2003.

e. Divestment of Government Share Ownership

On March 11, 2004, the Government divested another 10.00% of its ownership in Bank Mandiri which was equivalent to 2,000,000,000 Common Shares Series B through private placements (Note 40a).

f. Public offering of Bank Mandiri subordinated bonds, limited public offering and changes in share capital of Bank Mandiri

Public Offering of Bank Mandiri Subordinated Bonds

On December 3, 2009, Bank Mandiri received the effective approval from the Chairman of Capital Market Supervisory Board and Financial Institution through in its letter No. S-10414/BL/2009 dated December 3, 2009 to conduct the public offering of Bank Mandiri Rupiah Subordinated Bond I 2009 with a nominal value of Rp3,500,000. On December 14, 2009, the aforementioned Bond was listed on Indonesia Stock Exchange (Note 37).

PT BANK MANDIRI (PERSERO) Tbk. AND SUBSIDIARIES
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(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL INFORMATION (continued)

f. Public offering of Bank Mandiri subordinated bonds, limited public offering and changes in share capital of Bank Mandiri (continued)

Limited public offering of Bank Mandiri

To strengthen the capital structure, the Bank increased its issued and paid up capital through the Limited Public Offering ("LPO") with Pre-emptive Rights ("Rights"). Bank Mandiri submitted the first and second registration statement of this LPO to FSA, previously the Capital Market Supervisory Board and Financial Institution ("Bapepam and LK") on December 26, 2010 and January 18, 2011 and received the effective notification from Capital Market Supervisory Board and Financial Institution on January 27, 2011 based on the Bapepam and LK letter No. S-807/BL/2011. The Bank also obtained an approval from the shareholders based on the Extraordinary General Meeting of Shareholder dated January 28, 2011 as notarised by Dr. A. Partomuan Pohan, S.H., LLM No. 15 dated February 25, 2011 and reported it to the Ministry of Law and Human Rights Republic of Indonesia with the receipt No. AHU-AH.01.10-07446 dated March 10, 2011. The Bank also registered it to company listing No. AHU-0019617.AH.01.09 year 2011 dated March 10, 2011.

Number of Rights issued by Bank Mandiri was 2,336,838,591 shares at a price of Rp5,000 (full amount) per share determined on 25 January 2011 and the execution period of pre-emptive rights trading started from February 14, 2011 until February 21, 2011.

The Government of the Republic of Indonesia as the controlling shareholder of Bank Mandiri, did not execute its right to acquire the pre-emptive rights, and transferred it to other shareholders. As a result of this, Government's ownership in Bank Mandiri was reduced or diluted from 66.68%, prior to the execution of pre-emptive rights, to 60.00% after the execution of the pre-emptive rights.

Changes in share capital of Bank Mandiri

The details of changes in issued and paid-in-share capital (Note 40a) are as follows:

	Number of shares
Initial capital injection by the Government in 1998	4,000,000
Increase in share capital by the Government in 1999	251,000
	4,251,000
Increase in paid-in capital by the Government in 2003	5,749,000
	10,000,000
Decrease in par value per share from Rp1,000,000 (full amount) to Rp500 (full amount) per share through stock split in 2003	20,000,000,000
Shares from conversion of MSOP I in 2004	132,854,872
Shares from conversion of MSOP I in 2005	122,862,492
Shares from conversion of MSOP I in 2006	71,300,339
Shares from conversion of MSOP II in 2006	304,199,764
Shares from conversion of MSOP I in 2007	40,240,621
Shares from conversion of MSOP II in 2007	343,135
Shares from conversion of MSOP III in 2007	77,750,519
Shares from conversion of MSOP I in 2008	8,107,633
Shares from conversion of MSOP II in 2008	399,153
Shares from conversion of MSOP III in 2008	147,589,260
Shares from conversion of MSOP II in 2009	86,800
Shares from conversion of MSOP III in 2009	64,382,217
Shares from conversion of MSOP II in 2010	6,684,845
Shares from conversion of MSOP III in 2010	19,693,092
Increase of Capital through Limited Public Offering (LPO) with Pre-emptive Rights in 2011	2,336,838,591
Total	23,333,333,333

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1. GENERAL INFORMATION (continued)

g. Subsidiaries

Subsidiaries included in the consolidated financial statements as of December 31, 2016 and 2015, are as follows:

Name of Subsidiaries	Nature of Business	Domicile	Percentage of Ownership	
			2016	2015
PT Bank Syariah Mandiri (BSM)	Sharia Banking	Jakarta	99.99	99.99
Bank Mandiri (Europe) Limited (BMEL)	Commercial Banking	London	100.00	100.00
PT Mandiri Sekuritas	Securities	Jakarta	99.99	99.99
PT Bank Mandiri Taspen Pos (formerly PT Bank Sinar Harapan Bali)	Commercial Banking	Denpasar	59.44 ^{*)}	58.25
PT Mandiri Tunas Finance (MTF)	Consumer Financing	Jakarta	51.00	51.00
Mandiri International Remittance Sendirian Berhad (MIR)	Remittance	Kuala Lumpur	100.00	100.00
PTAXA Mandiri Financial Services	Life Insurance	Jakarta	51.00	51.00
PTMandiri AXA General Insurance (MAGI)	General Insurance	Jakarta	60.00	60.00
PT Asuransi Jiwa InHealth Indonesia	Life Insurance	Jakarta	80.00	80.00
PT Mandiri Utama Finance (MUF)	Consumer Financing	Jakarta	51.00	51.00
PT Mandiri Capital Indonesia	Venture Capital	Jakarta	99.97 ^{**)}	99.00

^{*)} The Bank has increased its investment in PT Bank Mandiri Taspen Pos with Right Issue mechanism on November 25, 2016

^{**)} Effective since January 21, 2016

The Subsidiaries' total assets as of December 31, 2016 and 2015 (before elimination) are follows:

Subsidiaries	Year of commercial operation	Total assets (before eliminaton)	
		December 31, 2016	December 31, 2015
PT Bank Syariah Mandiri	1955	78,831,722	70,369,709
Bank Mandiri (Europe) Limited	1999	2,344,461	2,543,040
PT Mandiri Sekuritas	1992	2,199,940	1,712,002
PT Bank Mandiri Taspen Pos (formerly PT Bank Sinar Harapan Bali)	1970	7,391,270	2,578,095
PT Mandiri Tunas Finance	1989	11,404,062	9,202,994
Mandiri International Remittance Sdn Bhd	2009	12,161	11,404
PT AXA Mandiri Financial Services	1991	25,983,699	23,032,740
PT Mandiri AXA General Insurance	1962	1,647,887	1,551,866
PT Asuransi Jiwa InHealth Indonesia	2008	2,113,984	1,841,695
PT Mandiri Utama Finance	2015	2,007,573	114,121
PT Mandiri Capital Indonesia	2015	354,621	11,376
Total		134,291,380	112,969,042

PT Bank Syariah Mandiri

PT Bank Syariah Mandiri ("BSM") is engaged in banking activities with Islamic banking principles, was established under the name PT Bank Industri Nasional ("PT Bina") on June 15, 1955. On October 4, 1967, the subsidiary's name was changed from PT Bina to PT Bank Maritim Indonesia which subsequently changed to PT Bank Susila Bhakti on August 10, 1973 which is a subsidiary of BDN. The latest change of the subsidiary's name to PT Bank Syariah Mandiri (BSM) is based on Notarial Deed of Sutjipto, S.H, No. 23 dated September 8, 1999. BSM obtained an operating license based on the Decision Letter of the Governors of Bank Indonesia No. 1/24/KEP.GBI/1999 dated October 25, 1999 as a commercial bank based on Islamic principles and began operating on November 1, 1999.

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1. GENERAL INFORMATION (continued)

g. Subsidiaries (continued)

PT Bank Syariah Mandiri (continued)

On January 9, 2009, the Bank made additional capital investment in cash at the Subsidiary, amounted to Rp100,000. The Bank has received approval from Bank Indonesia through letter dated December 31, 2008 and the Resolution of Extraordinary General Meeting of Shareholders of BSM No. 10 dated June 19, 2008.

On December 31, 2008, the Bank made additional capital investment of Rp199,871 at the Subsidiary, in the form of cash and *inbreng* (non-cash/exchange). The Bank has received approval from Bank Indonesia through letter dated December 31, 2008 and the Resolution of Extraordinary General Meeting of Shareholders of BSM No. 10 dated June 19, 2008.

On March 18, 2011, the Bank made additional capital investment in cash of Rp200.000 at the Subsidiary. The Bank has received approval from Bank Indonesia through letter dated January 31, 2011 and Circular Resolution of Shareholders dated February 28, 2011 with Notarial Deed No. 19 dated March 21, 2011 on the additional capital investment.

On December 29, 2011, the Bank made additional capital investment in cash at the Subsidiary for Rp300,000. The Bank has received approval from Bank Indonesia through letter dated December 27, 2011 and Circular Resolution of Shareholders dated December 29, 2011 with Notarial Deed No. 42 dated December 29, 2011 on the additional capital investment.

On December 21, 2012, the Bank made additional capital investment in cash at the Subsidiary for Rp300,000. The Bank has received approval from Bank Indonesia through letter dated December 21, 2012 and Circular Resolution of Shareholders dated December 21, 2012 with Notarial Deed No. 38 dated December 28, 2012 on the additional capital investment.

On December 30, 2013, the Bank made additional capital investment in the form of non-cash (*inbreng*) of land and buildings at the Subsidiary for Rp30,778. The Bank has received approval from Bank Indonesia through letter dated December 19, 2013 and Circular Resolution of Shareholders dated December 27, 2013 with Notarial Deed No. 20 dated January 22, 2014 which was re-affirmed in Circular Resolution of Shareholders dated December 29, 2014 with Notarial Deed No. 22 dated January 23, 2015 on the additional capital investment.

On November 24, 2015, the Bank made additional capital investment in the form of cash at the Subsidiary amounted to Rp500,000. The Bank has received approval from the Bank Indonesia through letter dated November 4, 2015 and Circular Resolution of Shareholder dated November 18, 2015 with Notarial Deed No. 33 dated November 25, 2015 on the additional capital investment.

On November 14, 2016, Bank Mandiri made additional capital investment in the form of cash in the Subsidiary amounted to Rp500,000. Bank Mandiri has received approval from Indonesian Financial Services Authority (FSA) through letter dated November 3, 2016 and Circular Resolution of Shareholders dated November 25, 2016, that has been notarized with Deed No. 9 dated December 7, 2016 on such additional capital investment. The additional capital investment has not yet been effective until approval from FSA on changes in BSM's share capital has been received. Until the date of consolidated financial statements, such approval from FSA has not yet been received.

Bank Mandiri (Europe) Limited

Bank Mandiri (Europe) Limited ("BMEL") was established in London, United Kingdom on June 22, 1999 under "The Companies Act 1985 of the United Kingdom". It was established from the conversion of Bank Exim London branch to a Subsidiary and operate effectively on July 31, 1999. BMEL, located in London, United Kingdom, is mandated to act as a commercial bank to represent the interests of Bank Mandiri.

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1. GENERAL INFORMATION (continued)

g. Subsidiaries (continued)

PT Mandiri Sekuritas

PT Mandiri Sekuritas ("Mandiri Securities"), formerly known as PT Merincorp Securities Indonesia ("MSI"), incorporated under Act No. 1 dated December 2, 1991 made before Sutjipto, SH Mandiri Sekuritas is the result of the merger of PT Bumi Daya Sekuritas ("BDS"), PT Exim Securities ("ES") and PT Merincorp Securities Indonesia ("MSI") is accomplished by means of merging BDS and ES into the MSI. MSI obtain a license as a securities broker and underwriter of the securities portfolio of the Chairman of the Capital Market Supervisory Agency ("Bapepam") by decree No. KEP-12/PM/1992 and No. KEP-13/PM/1992 and started operations on January 23, 1992. The merger was based on the Deed No. 116 dated July 31, 2000 the Notary Ny. Vita Buena, SH, which was approved by the Minister of Law and Legislation of the Republic of Indonesia on August 25, 2000 by Decree No. C-18762.HT.01.01-TH.2000 and business permits obtained previously MSI can still be used by PT Mandiri Sekuritas. PT Mandiri Sekuritas owns 99.90% of total shares of PT Mandiri Manajemen Investasi, a Subsidiary that was established on October 26, 2004 and is engaged in investment management and advisory. Mandiri Securities also owns 100% of the total shares of Mandiri Securities Pte. Ltd., a company engaged in securities business and Advising Corporate Finance and Monetary Authority of Singapore, which was established in 2016.

On December 28, 2012, the Bank made additional capital investment in cash at Mandiri Sekuritas, amounted to Rp29,512. Bank Mandiri has obtained approval from Bank Indonesia through its letter dated October 31, 2012 and the Decision of the Shareholders Meeting Outside (circular resolution) dated December 27, 2012 on the additional capital investment. After the implementation of the additional capital investment, the Bank's ownership at Mandiri Sekuritas increased from 95.69% to 99.99% of the total shares issued by Mandiri Sekuritas.

PT Bank Mandiri Taspen Pos

PT Bank Sinar Harapan Bali ("BSHB") was established as the Bank Market on February 23, 1970 under the name MAI Market Bank Sinar Harapan Bali, then on November 3, 1992 the Bank changes legal form into Limited Liability Company based on Deed 4 made before Ida Bagus Alit Sudiatrika, SH, Notary in Denpasar and obtained a business license as a commercial bank under the decree of the Minister of Finance of the Republic of Indonesia No. 77/KMK.017/1994 dated March 10, 1994. On May 3, 2008, the signing of the acquisition deed between shareholders of BSHB and Bank Mandiri, as stated in the acquisition deed No. 4 dated May 3, 2008 made by I Wayan Sugitha, SH, Notary in Denpasar. This acquisition marks the signing of the deed of initial ownership of the Bank early on BSHB 80.00% shares, which further BSHB management will be carried out separately from the Bank as a stand-alone bank mainly focuses on the business development of Micro and Small Enterprises.

On October 22, 2009, the Bank made additional capital investment in BSHB amounted to 1.46% of the total shares issued and fully paid, or at Rp1,460,657,000 (full amount) by purchasing all shares of BSHB owned by the President Director for 2,921,314 shares, as contained in the Deed Sale and Purchase of Shares No. 52 dated October 22, 2009 of a Notary Ni Wayan Widastri, SH, Notary in Denpasar, Bali.

Additional capital investment of the Bank in BSHB was conducted in order to comply with Bank Indonesia on Good Corporate Governance which among other things requires the President Director of Bank should come from an independent party. Additional capital investment of the Bank in BSHB has been approved by Bank Indonesia as contained in the letter No. 11/103/DPB1/TPB1-1 dated August 21, 2009.

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1. GENERAL INFORMATION (continued)

g. Subsidiaries (continued)

PT Bank Mandiri Taspen Pos (continued)

After the implementation of the additional capital investment, the Bank's ownership in BSHB increased from 80.00% to 81.46% of the total shares issued by BSHB with a total investment value of Rp81,461 from the beginning of Rp80,000.

On May 28, 2013, the Bank made additional capital investment in BSHB amounted to 11.77% of the total shares issued and fully paid, or at Rp32,377,072,750 (full amount) by purchasing shares of BSHB owned by some of BSHB minority shareholders with a total of 23,546,962 shares (full amount). The additional capital investment of the Bank's investments in BSHB has been approved by Bank Indonesia as contained in the letter of Bank Indonesia No. 15/33/DPB1/PB1-1 dated May 6, 2013.

On December 22, 2014, BSHB hold a Extraordinary General Meeting of Shareholders approved the issuance of 800,000,000 (full amount) of new shares to be purchased by Bank Mandiri, PT Taspen (Persero) and PT Pos Indonesia (Persero). Changes in the composition of ownership has been effective on May 28, 2015 with the approval of the statement of changes in shareholders BSHB by FSA Banking, with the composition of the final ownership is Bank Mandiri (58.25%), PT Taspen (20.2%), PT Pos (20.2%) and individual shareholders (1.35%). FSA Banking also approved Taspen and PT Pos as a new shareholder as well as the additional capital injection of the Bank in BSHB amounted to Rp198,000.

On July 24, 2015, the FSA has approved the change of name of PT Bank Sinar Harapan Bali to PT Bank Mandiri Taspen Pos and given permission to conduct business under the name of Bank Mantap. The changes of name and logo are permitted by the FSA on July 31, 2015. The changes of name and logo have been announced to the public on August 7, 2015.

On November 24, 2016, the Bank has received approval from the FSA related to the plan additional capital investment at PT Bank Mandiri Taspen Pos amounted to Rp257,036 through letter No. S-125/PB.31/2016 regarding the Application for Approval of the additional capital investment of Bank Mandiri in PT Bank Mandiri Taspen Pos. The increase in capital has changed the percentage of ownership whereby after the issuance of additional capital, the Bank's ownership in Bank Mandiri Taspen Pos has increased from 58.25% to 59.44% of the total shares issued by Bank Mantap. The increase in the capital will be effective after the approval of the FSA on the change of Bank Mandiri Taspen Pos' authorized share capital. Until the date of the consolidated financial statements, the Subsidiary has not yet received approval from the FSA.

Prior to January 1, 2011, goodwill arising from the acquisition of PT Bank Mandiri Taspen Pos amounting to Rp19,219 was amortized using the straight-line method over 5 (five) years with the estimation of economic benefits of the goodwill. Effective January 1, 2011, in accordance with SFAS No. 22 (Revised 2009), "Business Combinations", goodwill is not amortized but is tested for impairment annually. The Bank periodically evaluates the impairment of goodwill in accordance with SFAS No. 48, "Impairment of Assets" (see Note 2s). The balance of goodwill on December 31, 2016 and 2015 amounted to Rp21,043.

PT Mandiri Tunas Finance

PT Mandiri Tunas Finance ("MTF", formerly PT Tunas Financindo Sarana ("TFS")) is a company engaged in consumer financing activities. MTF was established based on notarial deed of Misahardi Wilamarta, S.H., No. 262 dated May 17, 1989 and approved by the Ministry of Justice through its decision letter No. C2-4868.HT.01.01.TH.89 dated June 1, 1989 and published in State Gazette No. 57, Supplement No. 1369 dated July 18, 1989. MTF commenced its commercial activities in 1989. MTF obtained a business license to operate in leasing, factoring and consumer financing from Minister of Finance in its decision letter No. 1021/KMK.13/1989 dated September 7, 1989, No. 54/KMK.013/1992 dated January 15, 1992 and No. 19/KMK.017/2001 dated January 19, 2001. Based on notarial deed Dr. A. Partomuan Pohan, S.H., LL.M., dated on February 6, 2009, the Bank entered into a sales and purchase agreement with MTF's shareholders (PT Tunas Ridean Tbk. and PT Tunas Mobilindo Parama) to acquire 51.00% ownership of MTF through its purchase of 1,275,000,000 shares of MTF (the nominal value of Rp100 (full amount)) per share amounting to Rp290,000.

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1. GENERAL INFORMATION (continued)

g. Subsidiaries (continued)

PT Mandiri Tunas Finance (continued)

The acquisition of 51.00% of MTF shares ownership by Bank Mandiri was approved in the Extraordinary General Shareholders' Meeting of MTF as stated in the Minutes of Extraordinary General Shareholders' Meeting No. 8 dated February 6, 2009 and listed in Legal Administration Ministry of Law and Human Rights as affirmed by the Ministry of Law and Human Rights through its Letter No. AHU-AH.01.10-01575 dated March 11, 2009.

This acquisition has been approved by Bank Indonesia through the Decree of the Governor of Bank Indonesia No. 11/3/DPB1/TPB1-1 dated January 8, 2009.

The amendment of the TFS's name to become MTF was undertaken on June 26, 2009, in accordance with a resolution on notarial deed of PT Tunas Financindo Sarana No. 181 dated June 26, 2009, notarised by notarial Dr. Irawan Soerodjo, S.H., Msi. The Articles of Association was approved by the Ministry of Law and Human Rights Republic of Indonesia in its decision letter No. AHU-4056.AH.01.02.TH.09 dated August 26, 2009.

Prior to January 1, 2011, goodwill arising from acquisitions of MTF amounted to Rp156,807 was amortized using the straight-line method over 5 (five) years with the estimation of economic benefits of the goodwill. Effective January 1, 2011, in accordance with SFAS No. 22 (Revised 2009), "Business Combinations", goodwill is not amortized but is tested for impairment annually. The Bank periodically evaluates the impairment of goodwill in accordance with SFAS No. 48, "Impairment of Assets" (see Note 2s). The balance of goodwill on December 31, 2016 and 2015 amounted to Rp96,697.

Mandiri International Remittance Sendirian Berhad

Mandiri International Remittance Sendirian Berhad ("MIR") is a wholly owned Subsidiary of Bank Mandiri and became a Malaysian legal entity on March 17, 2009 based on registration No. 850077-P. MIR is engaged in money remittance service under the provisions of the Bank Negara Malaysia ("BNM"). MIR has obtained an approval from Bank Indonesia ("BI") through letter No. 10/548/DPB1 dated November 14, 2008 and approval from BNM to conduct operational activities through its letter No. KL.EC.150/1/8562 dated November 18, 2009. MIR officially commenced its operations on November 29, 2009 and is currently located in Kuala Lumpur, Malaysia. The services provided by MIR is currently limited to remittance service to Bank Mandiri's customer accounts.

PT AXA Mandiri Financial Services

PT AXA Mandiri Financial Services ("AXA Mandiri") is a joint venture company between PT Bank Mandiri (Persero) Tbk. ("Bank Mandiri") and National Mutual International Pty Ltd ("NMI") that is engaged in Life Insurance. AXA Mandiri was formerly established under the name of PT Asuransi Jiwa Staco Raharja on September 30, 1991 by notarial deed No. 179 of Muhani Salim, S.H. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia through its letter No. C2-6144.HT.01.01.TH.91 dated October 28, 1991. The Company obtained its life insurance license through General Directorate of Finance Institution decision letter No. KEP.605/KM.13/1991 and officially commenced its operations on December 4, 1991. The Company's name was then changed to PT Asuransi Jiwa Mandiri and subsequently changed to PT AXA Mandiri Financial Services. This change was approved by the Ministry of Justice and Human Rights in its decision letter No. C-28747.HT.01.04.TH.2003 dated December 10, 2003, and was published in State Gazette No. 64, Supplement No. 7728 dated August 10, 2004 with composition shareholder 51.00% of NMI and 49.00% of Bank Mandiri.

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1. GENERAL INFORMATION (continued)

g. Subsidiaries (continued)

PT AXA Mandiri Financial Services (continued)

The shareholders of Bank Mandiri, at the Annual General Meeting held on May 17, 2010 (in article 7), had approved the acquisition of additional shares in AXA Mandiri through the purchase of 2.00% of the total shares issued and fully paid shares in AXA Mandiri directly from NMI.

On August 20, 2010, Bank Mandiri signed a Sale and Purchase Agreement (AJB) to acquire 2,027,844 (two million twenty seven thousand eight hundred forty four) shares (for an amount of Rp48,427) or 2.00% of issued and fully paid in capital of AXA Mandiri from NMI which was performed in front of Notary Dr. A. Partomuan Pohan, S.H., LLM. The addition of shares in AXA Mandiri was approved by Bank Indonesia through its letter No. 12/71/DPB1/TPB1-1 dated July 22, 2010. After this acquisition, the Bank's percentage of ownership in AXA Mandiri increase to become 51.00%.

Prior to January 1, 2011, goodwill arising from the acquisition of AXA Mandiri amounted to Rp40,128 was amortized using the straight-line method over 5 (five) years with the estimation of economic benefits of the goodwill. Effective January 1, 2011, in accordance with SFAS No. 22 (Revised 2009), "Business Combinations", goodwill is not amortized but is tested for impairment annually. Bank periodically evaluates the impairment of goodwill in accordance with SFAS No. 48, "Impairment of Assets" (see Note 2s). The balance of goodwill on December 31, 2016 and 2015 amounted to Rp37,194.

PT Mandiri AXA General Insurance

PT Mandiri AXA General Insurance ("MAGI") is a joint venture between Bank Mandiri with AXA Société Anonyme engaged in general insurance. MAGI was formerly known as PT Maskapai Asuransi Dharma Bangsa (PT Insurance Society Dharma Bangsa Ltd) which was established based on Notarial Deed of Sie Khwan Djioe No. 109 dated July 28, 1961 in Jakarta and approved by the Minister of Justice through its letter No. J.A.5/11/4 dated January 20, 1962. The name of the Company, PT Maskapai Asuransi Dharma Bangsa, was subsequently changed to PT Asuransi Dharma Bangsa as notarised by Imas Fatimah, S.H. No. 54 dated December 17, 1997, and approved by the Minister of Justice through the Ministry of Justice Decree No. C2-2421.HT.01.04.TH.98 dated March 26, 1998.

In Bank Mandiri's General Shareholder Meeting dated May 23, 2011, Bank Mandiri's shareholders approved the Bank's plans to acquire 120,000 (one hundred and twenty thousand) new shares issued by PT Asuransi Dharma Bangsa. The Bank's investment in PT Asuransi Dharma Bangsa was approved by Bank Indonesia through its letter No. 13/59/DPB1/TPB1-1 dated July 28, 2011.

On October 11, 2011, Bank Mandiri acquired 120,000 (one hundred and twenty thousand) new shares issued by PT Asuransi Dharma Bangsa with a total value of Rp60,000 as notarised by Notarial deed of Yualita Widyadhari, S.H. No. 23 dated October 11, 2011. After this acquisition, Bank Mandiri became the shareholder of PT Asuransi Dharma Bangsa with 60.00% ownership. This was ratified in the General Shareholder Meeting of PT Asuransi Dharma Bangsa in accordance with notarial deed of Yualita Widyadhari, SH No. 22 dated October 11, 2011. The notarial deed has been received by the Ministry of Justice and Human Rights Republic of Indonesia as documented in its letter No. AHU-AH.01.10-10-33252 dated October 17, 2011 regarding Acceptance Notification on the Amendment of PT Asuransi Dharma Bangsa's Article of Association.

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1. GENERAL INFORMATION (continued)

g. Subsidiaries (continued)

PT Mandiri AXA General Insurance (continued)

Subsequently, the name of PT Asuransi Dharma Bangsa, was changed to PT Mandiri AXA General Insurance in accordance with the notarial deed of Yualita Widyadhari, S.H. No. 90 dated October 18, 2011. The notarial deed had been received by the Ministry of Justice and Human Rights of the Republic of Indonesia as documented in its letter No. AHU-51976.AH.01.02 dated October 25, 2011 regarding Acceptance Notification on the amendment of PT Mandiri AXA General Insurance's Article of Association.

In conducting its business, MAGI already obtained a license from the Insurance Bureau of Bapepam and LK Ministry of Finance of the Republic of Indonesia (*Biro Perasuransian Bapepam dan LK Kementerian Keuangan*) through letter No. S-12583/BL/2011 dated November 22, 2011 concerning the Activation of General Insurance Business License and Change of the Company Name from PT Asuransi Dharma Bangsa to PT Mandiri AXA General Insurance.

FSA through its letter No. S-42/PB.31/2014 dated May 14, 2014 and letter No. 5-94/PB.31/2014 dated October 31, 2014 has approved the Additional Capital Investment of PT Bank Mandiri (Persero) Tbk in PT Mandiri AXA General Insurance amounted to Rp24,000 and Rp63,000. The additional capital investment has been approved by circularised decision of the General's Meeting Shareholder (RUPS). As documented in Notarial Wiwiek Widhi Astuti No. 20 dated June 6, 2014 and No. 27 dated November 21, 2014, has been approved by the Ministry of Justice and Human Rights through its letter No. AHU-03896.40.20.2014 dated June 12, 2014 and No. AHU-08879.40.21.2014 dated November 26, 2014. The addition of the equity investment did not change the percentage of share ownership where as Bank Mandiri own 60% and AXA S.A by 40% of MAGI.

Based on the letter of approval from the FSA No. S-52/PB.31/2015 dated June 25, 2015 regarding the Application for Approval of Increase in Investment PT Mandiri AXA General Insurance, the FSA expressed no objection to the plan of the Bank to make additional capital investments continued to MAGI amounted to Rp30,000. On July 9, 2015, the Bank has carried out the execution of the additional investment to MAGI amounted to Rp30,000. The total increase in capital to PT MAGI is amounting to Rp50,000 by the amount of additional capital injection in proportion to its percentage shareholding in Bank Mandiri MAGI by 60% and AXA S.A by 40%, so the Bank increased its investment of Rp30,000 and AXA S.A amounted to Rp20,000. The increase in capital did not change the percentage of share ownership in the overall MAGI-owned by Bank Mandiri amounting to 60% and AXA S.A by 40%.

Based on the letter of approval from the FSA No. S-72/PB.31/2016 dated August 3, 2016 regarding the Application for Approval of Increase in Investment PT Mandiri AXA General Insurance, the FSA expressed no objection to the plan of the Bank made additional capital investments to MAGI amounted to Rp30,000. On August 9, 2016, the Bank has made the additional investment transaction execution to MAGI amounted to Rp30,000. Total additional investment to MAGI is Rp50,000 with the amount of additional capital injection in proportion to its percentage shareholding of the Bank in MAGI by 60% and AXA SA by 40%, therefore the Bank increased its investment of Rp30,000 and AXA SA amounted to Rp20,000. The increase in capital did not change the percentage of ownership in the overall MAGI-owned by Bank Mandiri amounting to 60% and AXA S.A by 40%.

PT Asuransi Jiwa InHealth Indonesia

PT Asuransi Jiwa Indonesia InHealth ("InHealth") was established on October 6, 2008 based on the notarial deed No. 2 of NM Dipo Nusantara Pua Upa, SH. InHealth has obtained its license based on the Minister of Law and Human Rights of the Republic of Indonesia through its letter No. AHU-90399.AH.01.01 dated November 26, 2008. InHealth obtained its license to operate in life insurance based on the decision letter of the Minister of Finance of the Republic of Indonesia No. KEP-381KM.1012009 dated March 20, 2009.

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1. GENERAL INFORMATION (continued)

g. Subsidiaries (continued)

PT Asuransi Jiwa InHealth Indonesia (continued)

On December 23, 2013, Bank Mandiri and PT Kimia Farma (Persero) Tbk. and PT Asuransi Jasa Indonesia (Persero) as the purchaser by the Social Security Agency of Health (BPJS Kesehatan; formerly PT Askes (Persero)) and the Cooperative Bhakti Askes as the seller has signed a Share Purchase Agreement Conditional on PT Asuransi Jiwa InHealth Indonesia ("InHealth") where the execution of transactions will be conducted in two phases as follows:

1. phase 1, namely the acquisition of 80% ownership of InHealth, where the ownership of the Bank is 60%, PT Kimia Farma (Persero) Tbk. and PT Asuransi Jasa Indonesia (Persero) respectively 10%, as well as Health BPJS still has 20%; and
2. phase 2, namely the acquisition of 20% ownership BPJS on InHealth by the Bank so that the total ownership of Bank Mandiri is 80%. The composition of shareholders after the transaction InHealth stage 2 made Bank Mandiri has 80%, PT Kimia Farma (Persero) Tbk. and PT Asuransi Jasa Indonesia (Persero) respectively 10% of the total shares issued and fully paid InHealth.

On February 27, 2014, the Bank has obtained the approval of the General Meeting of Shareholders related to the acquisition InHealth. Furthermore, Bank Mandiri also has received the approval of the proposed acquisition of FSA according Letter No. S-37/PB/31/2014 dated April 17, 2014 regarding the Application for Approval of Equity PT Bank Mandiri (Persero) Tbk. in PT Asuransi Jiwa InHealth Indonesia.

On May 2, 2014, Bank Mandiri with PT Kimia Farma (Persero) Tbk. and PT Asuransi Jasa Indonesia (Persero) as the buyer with Badan Penyelenggara Jaminan Sosial Kesehatan (BPJS Kesehatan); (formerly PT Askes (Persero)) and Koperasi Bhakti Askes as the seller have signed a Sale and Purchase agreement of InHealth's share as recorded in Notarial deed of sale and purchase agreement No. 01 dated May 2, 2014 by Notary Mala Mukti S.H., LL.M.

With the signing of the Sale and Purchase Agreements, Bank Mandiri has effectively become the majority shareholder in InHealth with ownership of 60% (Rp990,000), PT Kimia Farma (Persero) Tbk. and PT Asuransi Jasa Indonesia (Persero) respectively by 10% (Rp165,000) and BPJS by 20% (Rp330,000). Changes in share ownership has been approved by the General Meeting of Shareholders InHealth by Notary Mala Mukti SH, LL.M. No. 19 dated May 5, 2014 and has been submitted to the Ministry of Law and Human Rights of the Republic of Indonesia and has been received through letter No. AHU-06507.40.22.2014 dated May 5, 2014 regarding the Company's Receipt of Notification of change of PTAsuransi Jiwa InHealth Indonesia.

Articles of Association of InHealth has been changed in accordance with the Shareholders Agreement which was signed on December 23, 2013 and has been recorded in the Notarial Deed of Mala Mukti, S.H., LL.M No. 20 dated May 5, 2014. This change has been submitted to the Ministry of Justice and Human Rights of the Republic of Indonesia and accepted through its letter No. AHU-01805.40.21.2014 dated May 6, 2014.

The signing of sale and purchase deed was the first phase of InHealth's acquisition in accordance with Conditional Share Purchase Agreement which was signed on December 23, 2013.

On March 30, 2015, the Bank carried out additional investment in InHealth shares by buying 200,000 shares owned by Employment Social Security Agency (BPJS) through the signing of the Deed of Sale and Purchase Agreement No. 108, dated March 30, 2015, made before Mala Mukti, S.H., LL.M., Notary in Jakarta, which is 20.00% of the total shares issued by InHealth. Total purchase price amounted to Rp330,000. The additional of these investments has been approved by the FSA as mentioned in its letter No. S-19/PB.31/2015 dated February 20, 2015. The difference in the number recorded non-controlling interest in the fair value of consideration paid for the additional shares amounting to 20.00% InHealth Rp92,751 amount recorded as "Difference in transactions with non-controlling interest".

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1. GENERAL INFORMATION (continued)

g. Subsidiaries (continued)

PT Asuransi Jiwa InHealth Indonesia (continued)

Since the signing date of the Sale and Purchase Deed, Bank Mandiri has effectively become the majority shareholder of InHealth with ownership of 80%, which PT Kimia Farma (Persero) Tbk and PT Asuransi Jasa Indonesia (Persero) each own 10%. It has been approved by the General Meeting of Shareholders in accordance with Notarial Deed of Mala Mukti S.H., LL.M. No. 109 dated March 30, 2015 and submitted to the Ministry of Justice and Human Rights of the Republic of Indonesia and accepted by its letter No. AHU-AH.01.03-0020238 dated March 30, 2015 regarding Acceptance Notification of the Data Change of PT Asuransi Jiwa Indonesia InHealth.

Bank Mandiri acquired 80% shares in Inhealth with total value of Rp1,320,000. Goodwill arising from the acquisition of InHealth amounted to Rp268,181 as of December 31, 2016 and 2015. The Bank periodically evaluates the impairment of goodwill the accordance with SFAS No. 48, "Impairment of Assets" (Note 2s).

PT Mandiri Utama Finance

On April 16, 2014, Bank Mandiri and PT Asco Investindo ("ASCO") and PT Tunas Ridean (Persero) Tbk. ("TURI"), have signed an agreement signing of a preliminary agreement to set up a finance company to be able to accelerate Bank Mandiri finance portfolio, especially in the segment of vehicle financing.

On October 22, 2014, Bank Mandiri with ASCO and TURI have signed a shareholders' agreement which had been agreed on the establishment of a finance company with an authorized capital is Rp100,000 with an ownership composition of the Bank (51%); ASCO (37%); and TURI (12%). Subsequently, on December 23, 2014, the Bank obtained a license principle equity participation in the company's new financing from Bank Supervision FSA.

On January 21, 2015, the deed of incorporation of a new subsidiary of Bank Mandiri named PT Mandiri Utama Finance ("MUF") has been signed as outlined in the notarial deed Ashoya Ratam, SH, M.Kn. No. 19 dated January 21, 2015 and was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in Decree No. AHU-0003452.AH.01.01.tahun 2015 dated January 26, 2015. Concurrent with the signing of the deed of incorporation, the Bank also made capital injection amounted to Rp51,000 as stipulated in the Bank's shareholding in MUF. Based on notarial deed No. 66 of Ashoya Ratam dated May 29, 2015 on the Circular Letter of Shareholders' Meeting regarding the approval of change in composition of the Board of Commissioners, where such changes have been registered with the Ministry of Justice and Human Rights of the Republic of Indonesia based on Letter No. AHU-AH.01.03-0936033 dated May 29, 2015.

After the signing of the deed, MUF submitted application of financing company business license to FSA - Non-Bank Financial Institutions ("OJK IKNB"). Upon request, the OJK IKNB has issued a decree of IKNB Board of Commissioners of the FSA No. KEP-81/D.05/2015 regarding the Granting Permit of Financing Company to PT Mandiri Utama Finance on June 25, 2015 through letter No. SR-3516/NB.111/2015 dated June 26, 2015, regarding the Granting Permit of Financing Company PT Mandiri Utama Finance.

On August 24, 2015, MUF has carried out the initial operational activities through cooperation with primary dealers and the disbursement of credit to limited customers to meet the requirements of the OJK IKNB.

Based on the Letter of Approval from the FSA No. S-86/PB.31/2016 dated August 25, 2016, regarding the Application for Approval of the Increase in the Share Capital of PT Mandiri Utama Finance, the FSA expressed no objection to the Bank's plan of increasing its equity participation in MUF amounting to Rp102,000. The increase of capital in MUF will be done gradually with a nominal value of Rp51,000 for each stage. On August 29, 2016, the execution of the first stage in increasing the share capital of MUF, with a nominal value of Rp51,000, has been completed. The next stage of issuing additional share capital amounting to Rp51,000 has been carried out on December 16, 2016. The increase in capital did not change the percentage of ownership over MUF as the ownership remained Bank Mandiri amounted to 51%, ASCO amounted to 37% and TURI amounted to 12%.

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1. GENERAL INFORMATION (continued)

g. Subsidiaries (continued)

PT Mandiri Capital Indonesia

As of June 23, 2015, Bank Mandiri and PT Mandiri Sekuritas have established new subsidiary engaged in venture capital under the name of PT Mandiri Capital Indonesia ("MCI").

Establishment of the company was marked by the signing of the deed of Bank Mandiri and PT Mandiri Sekuritas in which the Bank invested capital amounting Rp9,900, representing 99% share ownership in MCI and PT Mandiri Sekuritas injected capital amounting to Rp100 which represents a 1% share ownership in MCI, therefore the capital structure of MCI amounted Rp10,000.

Bank Mandiri's equity participation in the framework of establishment of MCI was approved by the FSA per its the letter No. S-48/PB.31/2015 regarding Application for Approval of Equity PT Bank Mandiri (Persero), Tbk. for the establishment of Venture Capital Company on June 11, 2015.

As of June 26, 2015, the establishment of MCI was approved by the Minister of Law and Human Rights through letter No. AHU-2445684.AH.01.01 tahun 2015. MCI has obtained a license to carry out business activities in the field of venture capital on November 10, 2015 through the FSA letter No. SR-6035/NB.111/ 2015 stating that MCI may carry out full operational activities.

Based on the Letter of Approval from the FSA No. S-1/PB.31/2016 dated January 7, 2016, regarding the Application for Approval of the Bank's investment in PT Mandiri Capital Indonesia (MCI), the FSA expressed no objection to Bank Mandiri's plan of issuing additional share capital to MCI.

On January 21, 2016, the transaction of issuing additional share capital to MCI amounting to Rp340,000 has been carried out and therefore MCI's authorized share capital has become Rp350,000.

The increase in the share capital of MCI was done through the issuance of 3,400 (full amount) new shares in MCI, each share has a nominal value of 100,000,000 (full amount) in which all such new shares were executed by Bank Mandiri (100%).

With the additional share capital issued amounting to Rp340,000 conducted entirely by Bank Mandiri, the percentage of equity ownership in MCI, each of which has become owned by Bank Mandiri amounting to 99.97% and Mandiri Sekuritas be at 0.03%.

h. Structure and Management

Bank Mandiri's head office is located on Jalan Jenderal Gatot Subroto Kavling 36-38, South Jakarta, Indonesia. As of December 31, 2016 and 2015, Bank Mandiri's domestic and overseas offices are as follows:

	December 31, 2016	December 31, 2015
Domestic Regional Offices	12	12
Domestic Branches:		
Area	79	76
Community Branches	1,237	1,143
Mandiri Mitra Usaha offices	1,084	994
Cash Outlets	199	244
	2,599	2,457
Overseas branches	6	6

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1. GENERAL INFORMATION (continued)

h. Structure and Management (continued)

As of December 31, 2016, Bank Mandiri has overseas branches located in Cayman Islands, Singapore, Hong Kong, Dili Timor Leste, Shanghai (People's Republic of China) and Dili Timor Plaza, and 1 Remittance Office of Hong Kong.

To support Bank Mandiri's vision "To be the Best Bank in ASEAN in 2020", Bank Mandiri divided its organisation structure into Strategic Business Units (SBU). In general, SBU consists of three major groups, which are:

1. Business Units is responsible for the Bank's main business development consists of 2 (two) segments namely Wholesale segments consists of Corporate, Commercial, Treasury, and Retail segments which consists of Small Medium Enterprise, Micro Banking and Consumer/Individual (include priority customers segment).
2. Support Functions is responsible for supporting unit whom support overall Bank's operational consists of Risk Management & Compliance, Finance & Treasury, Digital Banking & Technology, Operations, Retail Risk, Wholesale Risk, Human Capital, Internal Audit, and Corporate Transformation.
3. Distributions is responsible for selling products and goods unit to all segments of Bank's customers, consist of 12 (twelve) Regional Offices spread across Indonesia.

Effective on January 1, 2015, Bank restructured its organization structure and role and responsibilities of the members of the board of Directors.

Bank Mandiri has made changes in its organizational structure which became effective on April 5, 2016, as stated in the Decree (SK) Board No. KEP.DIR/133/2016 dated April 11, 2016, on the Organizational Structure. Changes in the organizational structure of Bank Mandiri was done through rearranging the organization and forming a new structural and functional working unit to meet the needs and development of the Company.

As of December 31, 2016 and 2015, the members of Bank Mandiri's Boards of Commissioners are as follows:

	December 31, 2016	December 31, 2015
Board of Commissioners		
President Commissioner	: Wimboh Santoso	Wimboh Santoso
Deputy Chief Commissioner	: Imam Apriyanto Putro	Imam Apriyanto Putro
Independent Commissioner	: Abdul Aziz	Abdul Aziz
Independent Commissioner	: Aviliani	Aviliani
Independent Commissioner	: Goei Siauw Hong	Goei Siauw Hong
Independent Commissioner	: Bangun Sarwito Kusmulyono	Bangun Sarwito Kusmulyono
Commissioner	: Askolani	Askolani
Commissioner	: Ardan Adiperdana *)	Suwhono

*) The appointment of a Commissioner has received approval from the FSA on Fit and Proper Test and has become effective since October 3, 2016.

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1. GENERAL INFORMATION (continued)

h. Structure and management (continued)

As of December 31, 2016 and 2015, the members of Bank Mandiri's Board of Directors are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Board of Directors</u>		
President Director	: Kartika Wirjoatmodjo	Budi Gunadi Sadikin
Deputy President Director	: Sulaiman Arif Arianto	Sulaiman Arif Arianto
Director	: Ogi Prastomiyono	Sentot A. Sentausa
Director	: Pahala N. Mansury	Ogi Prastomiyono
Director	: Royke Tumilaar	Pahala N. Mansury
Director	: Hery Gunardi	Royke Tumilaar
Director	: Kartini Sally	Hery Gunardi
Director	: Ahmad Siddik Badruddin*)	Tardi
Director	: Tardi	Ahmad Siddik Badruddin*)
Director	: Rico Usthavia Frans	Kartini Sally
Director	: -	Kartika Wirjoatmodjo

*) Compliance Director.

The job description of members of the board of Directors are regulated separately by the Decree of Directors.

As of December 31, 2016 and 2015, the members of Bank's Mandiri Audit Committee consists of:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Chairman and member	: Aviliani	Aviliani
Member	: Askolani	Askolani
Member	: Goei Siau Hong	Goei Siau Hong
Member	: Ardan Adiperdana*)	Budi Sulistio
Member	: Budi Sulistio	Ridwan Darmawan Ayub
Member	: Lista Ina*)	-

*) Changes in the Audit Committee members of Bank Mandiri is stipulated in the Decree of Directors No. KEP.DIR/374/2016 dated October 20, 2016.

As of December 31, 2016 and 2015, Bank Mandiri's Remuneration and Nomination Committee consists of:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Chairman and member	: Bangun Sarwito Kusmuljono	Bangun Sarwito Kusmuljono
Member	: Wimboh Santoso*)	Imam Apriyanto Putro
Member	: Imam Apriyanto Putro	Abdul Aziz
Member	: Abdul Aziz	Aviliani
Member	: Askolani	Askolani
Member	: Aviliani	Suwhono
Member	: Goei Siau Hong	Goei Siau Hong
Member	: Ardan Adiperdana*)	-
Secretary (ex-officio)	: SEVP Human Capital*)	Group Head Human Capital Strategy & Policy

*) Changes in the Membership of Remuneration and Nomination Committee of Bank Mandiri is stipulated in the Decree of Directors No. KEP.DIR/376/2016 dated October 20, 2016

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1. GENERAL INFORMATION (continued)

h. Structure and Management (continued)

As of December 31, 2016 dan 2015, Bank Mandiri's Risk Oversight Committee consists of:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Chairman and Member	: Abdul Aziz	Abdul Aziz
Member	: Wimboh Santoso*)	Imam Apriyanto Putro
Member	: Goei Siau Hong*)	Suwhono**)
Member	: Bangun Sarwito Kusmulyono*)	Budi Sulistio
Member	: Ridwan Darmawan Ayub	Ridwan Darmawan Ayub
Member	: Lista Irna*)	-
Secretary (ex-officio)	: Group Head Operational Risk*)	Group Head Operational Risk

*) Changes in the Membership of the Risk Oversight Committee of Bank Mandiri is stipulated in the Decree of Directors No. KEP.DIR/375/2016 dated October 20, 2016.

**) The term of office for Mr Suwhono as the Remuneration and Nomination Committee and Risk Monitoring Committee ended since his appointment as President Director of PT Berdikari (Persero) on March 29, 2016.

As of December 31, 2016 dan 2015, Bank Mandiri's Integrated Governance Committee consists of:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Chairman and Member	: Abdul Aziz	Abdul Aziz
Deputy Chairman and Member	: Goei Siau Hong*)	-
Member	: Imam Apriyanto Putro*)	Goei Siau Hong
Member	: Aviliani	Aviliani
Member	: Bangun Sarwito Kusmulyono	Bangun Sarwito Kusmulyono
Member	: Ridwan Darmawan Ayub*)	Ramzi A. Zuhdi (PT Bank Syariah Mandiri)
Member	: Edhi Chrystanto (Bank Mandiri Taspen Pos*)	M. Syafii Antonio (PT Bank Syariah Mandiri-DP)
Member	: Frans A. Wiyono (Mandiri AXA General Insurance) *)	I Wayan D. Ardjana (PT Bank Mandiri Taspen Pos)
Member	: D. Cyril Noerhadi (Mandiri Sekuritas) *)	Frans A. Wiyono (PT Mandiri AXA General Insurance)
Member	: Wihana Kirana Jaya (AXA Mandiri Financial Services) *)	I Ketut Sendra (PT Asuransi Jiwa Inhealth Indonesia)
Member	: Hanifah Purnama (Mandiri Tunas Finance) *)	D. Cyril Noerhadi (PT Mandiri Sekuritas)
Member	: Nizar Yamanie (Asuransi Inhealth Indonesia) *)	Jiantok Hardjiman (PT Mandiri Manajemen Investasi)**)
Member	: Ramzi A. Zuhdi (Bank Syariah Mandiri) *)	Hanifah Purnama (PT Mandiri Tunas Finance)
Member	: M. Syafii Antonio (Bank Syariah Mandiri) *)	Wihana Kirana Jaya (PT AXA Mandiri Financial Services)

*) Changes in the Membership of Integrated Governance Committee of the Bank is stipulated in the Decree of Directors No. KEP.DIR/377/2016 dated October 20, 2016.

**) Stopped serving as an independent commissioner since April 8, 2015.

As of December 31, 2016 and 2015, Chairman of the Internal Audit Committee of Bank Mandiri is Mustaslimah which was approved by the Board of Commissioners of Bank Mandiri through letter No. KOM/035/2015 dated April 8, 2015 and has been reported to FSA through letter No. CEO/152/2015 dated April 14, 2015 and Indonesia Stock Exchange by letter No. FST.CSC/CMA.1131/2015 dated April 14, 2015.

As of December 31, 2016 and 2015, Bank Mandiri's Corporate Secretary is Rohan Hafas.

The number of employees of the Bank Mandiri on December 31, 2016 and 2015 are 38,940 and 36,737 people, respectively (unaudited).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Management is responsible for the preparation of the accompanying consolidated financial statements which were completed and authorised for issuance by the Board of Directors on January 30, 2017.

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards, and the Capital Market Supervisory Agency and Financial Institution (Bapepam and LK) regulation No. VIII.G.7 Attachment of the Chairman of Bapepam and LK's decree No. KEP-347/BL/2012 dated June 25, 2012, regarding "Financial Statements Presentation and Disclosure for Issuer or Public Companies".

The principal accounting policies adopted in preparing the consolidated financial statements of the Bank and Subsidiaries are set out below:

a. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements have been prepared under the historical cost, except for financial assets classified as available for sale, financial assets and liabilities held at fair value through profit or loss and all derivative instruments which have been measured at fair value since April 1, 2016. The consolidated financial statement are prepared under the accrual basis of accounting, except for the consolidated statement of cash flows.

Consolidated statements of cash flows are prepared using the direct method by classifying cash flows in operating, investing and financing activities.

Items within Other Comprehensive Income are classified separately, separating between accounts which will be reclassified to Profit or Loss and accounts which will not be reclassified to Profit or Loss.

The financial statements of a Subsidiary company engaged in sharia banking have been prepared in conformity with the Statement of Financial Accounting Standards (SFAS) No. 101 (Revised 2014), "Presentation of Financial Statement for Sharia Banking", SFAS No. 102 (Revised 2013) "Accounting for *Murabahah*", SFAS No. 104 "Accounting for *Istishna*", SFAS No. 105 "Accounting for *Mudharabah*", SFAS No. 106 "Accounting for *Musyarakah*", SFAS No. 107 "Accounting for *Ijarah*", SFAS No. 110 "Accounting for *Sukuk*" and other prevailing Statements of Financial Accounting Standards, as long as not contradict with Sharia principle also Accounting Guidelines for Indonesian Sharia Banking (PAPSI) (Revised 2013).

The preparation of consolidated financial statements in accordance with Indonesian Financial Accounting Standards requires the use of estimates and assumptions. It also requires management to make judgments in the process of applying the accounting policies the Group. The area that is complex or requires a higher level of consideration or areas where assumptions and estimates could have a significant impact on the consolidated financial statements are disclosed in Note 3.

All figures in the consolidated financial statements, are rounded and presented in million rupiah ("Rp") unless otherwise stated.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Changes in accounting policies

The principle of accounting policies applied in the preparation of the consolidated Financial Statements of the Bank and its subsidiaries are set out below:

Effective on January 1, 2016, the Group has applied new standards and interpretation or revision that are relevant to the Group's operation effective from such date as follows:

- Amendments to SFAS No. 4: Separate Financial Statements on Equity Method in Separate Financial Statements
- Amendments to SFAS No. 15: Investments in Associates and Joint Ventures on Investment Entities: Applying the Consolidation Exception
- Amendments to SFAS No. 16: Property, Plant and Equipment on Clarification of the Accepted Method for Depreciation and Amortization
- Amendments to SFAS No. 19: Intangible Assets on Clarification of the Accepted Method for Depreciation and Amortization
- Amendments to SFAS No. 24: Employee Benefits on Defined Benefit Plans: Employee Contributions
- Amendments to SFAS No. 65: Consolidated Financial Statements on Investment Entities: Applying the Consolidation Exception
- Amendments to SFAS No. 67: Disclosure of Interests in Other Entities on Investment Entities: Applying the Consolidation Exception
- SFAS No. 5 (Improvement 2015): Operating Segments
- SFAS No. 7 (Improvement 2015): Related Party Disclosures
- SFAS No. 13 (Improvement 2015): Investment Property
- SFAS No. 16 (Improvement 2015): Property, Plant and Equipment
- SFAS No. 19 (Improvement 2015): Intangible Assets
- SFAS No. 25 (Improvement 2015): Accounting Policy, Changes in Accounting Estimates, and Errors
- SFAS No. 68 (Improvement 2015): Fair value Measurement
- SFAS No. 110 (Revised 2015): Accounting for Sukuk

The above new and revised standards and interpretations which were effective from January 1, 2016 have no material impact to the Bank and Subsidiaries' consolidated financial statements.

Changes in the Group's accounting policy have been inline with the requirements in each standards and interpretation.

c. Financial instruments

A. Financial assets

The Group classifies its financial assets available for sale in the following categories of (a) financial assets at fair value through profit or loss, (b) loans and receivables, (c) financial assets held-to-maturity, and (d) financial assets available-for-sale. The classification depends on the purpose for which the financials assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as of fair value through profit or loss upon initial recognition.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

A. Financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

A financial asset designated as fair value through profit or loss at inception are held to back the insurance liabilities of Subsidiary measured at fair value of the underlying assets.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the consolidated statement of profit or loss and other comprehensive income. Gains and losses arising from changes in fair value and sales of these financial instruments are included directly in the consolidated statement of profit or loss and other comprehensive income and are reported respectively as "Unrealised gains/(losses) from increase/(decrease) in fair value of financial instruments" and "Gains/(losses) from sale of financial instruments". Interest income on financial instruments held for trading are included in "Interest income".

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates as of fair value through profit or loss;
- those that the Group upon initial recognition designates as available for sale; or
- those for which the Group may not recover substantially all of its initial investment, other than because of loans and receivables deterioration.

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Income on financial assets classified as loans and receivables is included in the consolidated statement of profit or loss and other comprehensive income and is reported as "Interest income". In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the financial assets classified as loan and receivables and recognised in the consolidated statement profit or loss and other comprehensive income as "Allowance for impairment losses".

(c) Financial assets held-to-maturity

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity, other than:

- those that the Group upon initial recognition designates as of fair value through profit or loss;
- those that the Group designates as available for sale; and
- those that meet the definition of loans and receivables.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

A. Financial assets (continued)

(c) Financial assets held-to-maturity (continued)

Held-to-maturity financial assets are initially recognised at fair value including transaction costs and subsequently measured at amortised cost, using the effective interest method.

Interest income on financial assets held-to-maturity is included in the consolidated statement of profit or loss and other comprehensive income and reported as "Interest income". In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the consolidated financial statements as "Allowance for impairment losses".

(d) Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or that are not classified as loans and receivables, held-to-maturity or financial assets at fair value through profit or loss.

Financial assets available-for-sale are initially recognised at fair value, plus transaction costs, and measured subsequently at fair value with gains or losses arising from the changes in fair value being other comprehensive income, except for impairment losses and foreign exchange gains or losses for debt instrument. For equity instrument, foreign exchange gains or losses is recognised in the consolidated statement of profit or loss and other comprehensive income, until the financial assets is derecognised. If a financial asset available-for-sale is determined to be impaired, the cumulative unrealised gain or loss arising from the changes in fair value previously recognised as other comprehensive income is recognised in the profit or loss. Interest income is calculated using the effective interest method.

Recognition

The Bank uses trade date accounting for regular way contracts when recording marketable securities and government bonds transactions. Financial assets that are transferred to a third party but not qualify for derecognition are presented in the consolidated statement of financial position as "receivables from assets pledged as collateral", if the transferee has the right to sell or repledge them.

B. Financial liabilities

The Group classified its financial liabilities in the category of (a) financial liabilities at fair value through profit or loss and (b) financial liabilities measured at amortised cost.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as of fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

B. Financial liabilities (continued)

(a) Financial liabilities at fair value through profit or loss (continued)

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the consolidated statement of profit or loss and other comprehensive income and are reported as "Unrealised gains/(losses) from increase/(decrease) in fair value of financial instruments". Interest expenses on financial liabilities held for trading are included in "Interest expenses".

If the Group designated certain debt securities upon initial recognition as of fair value through profit or loss (fair value option), then this designation cannot be changed subsequently. According to SFAS No. 55, the fair value option is applied on the debt securities consists of debt host and embedded derivatives that must otherwise be separated.

Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in "Gains/(losses) from changes in fair value of financial instruments".

(b) Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value less transaction costs.

After initial recognition, Group measures all financial liabilities at amortised cost using effective interest rates method. Effective interest rate amortisation is recognised as "Interest expense".

C. Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral that is submitted by the Group under the agreement of securities sold under repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group substantially has all the risks and benefits of the collateral, based on the requirement that the repurchase price has been determined at the beginning, so that the criteria for derecognition are not met.

Write-offs

In the case of financial assets' write-off is a continuation of the financial assets' settlement by taking over collaterals, the amount written off is approximately equal to the difference between the fair value of repossessed assets after taking into account the financial assets' cost of sales and carrying amount.

Financial assets can be written off when the allowance for impairment losses have been established 100%.

Write-off done overall to the financial assets' carrying amount by debiting the allowance for impairment losses.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

D. Reclassification of financial assets

The Group shall not reclassify any financial instrument out of or into the fair value through profit or loss category while it is held or issued.

The Group shall not classify any financial assets as held-to-maturity if Group has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity financial assets before maturity (more than insignificant in relation to the total amount of held-to-maturity financial assets) other than sales or reclassifications that:

- (a) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- (b) occur after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- (c) are attributable to an isolated event that is beyond the Group's control, is non-recurring and could not have been reasonably anticipated by the Group.

Reclassification of financial assets from held to maturity classification to available for sale are recorded at fair value. Unrealised gains or losses are recorded in other comprehensive income component and shall be recognised in the consolidated statement of profit or loss and other comprehensive income until the financial assets is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income shall be recognised in consolidated statement of profit or loss and other income under gain/loss from sale of financial assets.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

E. Classes of financial instruments

The Group classifies the financial instruments into classes that reflects the nature of information and take into account the characteristic of those financial instruments. The classification of financial instrument can be seen in the table below:

Category		Class	Sub-classes	
Financial assets	At fair value through profit or loss	Financial assets held for trading	Marketable securities	
			Government bonds	
			Derivative receivables - Non hedging related	
	Loans and receivables		Current accounts with Bank Indonesia	
			Current accounts with other banks	
			Placements with Bank Indonesia and other banks	
			Other receivables - trade transaction	
			Securities purchased under resale agreements	
			Loans and sharia financing/receivables	
			Consumer financing receivables	
			Investment in lease financing	
			Acceptance receivables	
			Other assets	Accrued income
				Receivables from customer transactions
				Receivables from sale of marketable securities
				Receivables to policyholders
	Receivables related to ATM and credit card transaction			
	Held-to-maturity investments		Marketable securities	
			Government bonds	
	Available-for-sale financial assets		Marketable securities	
Government bonds				
Investments in shares - less than 20%				

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

E. Classes of financial instruments (continued)

Category		Class	Sub-classes
Financial liabilities	At fair value through profit or loss	Financial liabilities held for trading	Derivative payables - non hedging related
	At amortised cost	Deposits from customers	Demand/ <i>wadiah</i> deposits
			Saving/ <i>wadiah</i> deposits
			Time deposits
		Deposits from other banks	Demand/ <i>wadiah</i> and saving/ <i>wadiah</i> deposits
			Inter-bank call money
			Time deposits
		Securities sold under repurchase agreements	
		Acceptance payables	
		Marketable securities issued	
		Accrued expenses	
	Other liabilities	Payable to customers	
		Guarantee deposits	
		Payable from purchase of marketable securities	
Liabilities related to ATM and credit card transaction			
	Subordinated loans		
Off-balance sheet financial instruments	Committed unused loan facilities granted		
	Outstanding irrevocable letters of credit		
	Bank guarantees issued		
	Standby letters of credit		

F. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. This means that the right to set off:

- a. Must not be contingent on a future event, and
- b. Must be legally enforceable in all of the following circumstances:
 - i. The normal course of business
 - ii. The event of default
 - iii. The event of insolvency or bankruptcy

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

G. Allowance for impairment losses of financial assets

(a) Financial assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of impairment loss include:

1. Significant financial difficulty of the issuer or obligor;
2. A breach of contract, such as a default or delinquency in interest or principal payments;
3. The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
4. There is a probability that the borrower will enter bankruptcy or other financial reorganisation;
5. The disappearance of an active market for that financial asset because of financial difficulties; or
6. Observable data indicating that there is a measurable decrease in the estimation.

The Group has determined specific objective evidence of an impairment loss for loans including:

1. Loans classified as Sub-standard, Doubtful and Loss (non-performing loans) in accordance with Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 regarding Asset Quality Rating for Commercial Banks, as amended by Bank Indonesia Regulation No. 11/2/PBI/2009 dated January 29, 2009. Since October 24, 2012, Group follows Bank Indonesia Regulation No. 14/15/PBI/2012 regarding Asset Quality Rating for Commercial Banks and Circular Letter of Bank Indonesia No. 15/28/DPNP dated July 31, 2013 regarding Asset Quality Rating for Commercial Banks.
2. All restructured loans.

The Group initially assesses whether objective evidence of impairment for financial asset exists as described above. The individual assessment is performed on the individually significant impaired financial asset, using discounted cash flows method. The insignificant impaired financial assets and non-impaired financial assets are included in group of financial asset with similar credit risk characteristics and collectively assessed.

If the Group assesses that there is no objective evidence of impairment for financial asset assessed individually, both for significant and insignificant amount, hence the account of financial asset will be included in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed but non-impaired, those financial assets are still classified as financial assets that are assessed individually. However, the Group provides allowance for impairment losses based on probability of default for each segment that are generated by evaluating impairment of loans collectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

G. Allowance for impairment losses of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

In evaluating impairment for loans, the Bank determines loan portfolio into these three categories:

1. Loans which individually have significant value and if impairment occurred will have material impact to the consolidated financial statements, i.e. loans with Gross Annual Sales (GAS) Corporate and Commercial, as well as loans with GAS outside Corporate and Commercial with outstanding balance more than Rp5,000;
2. Loans which individually have no significant value, i.e. loans with GAS Business, Micro and Consumer with outstanding balance is less or equal to Rp5,000; and
3. Restructured loans.

Bank determines loans to be evaluated for impairment through individual evaluation if one of the following condition is met:

1. Loans which individually have significant value and objective evidence of impairment; or
2. Restructured loans which individually have significant value.

Bank determines loans to be evaluated for impairment through collective evaluation if one of the following condition is met:

1. Loans which individually have significant value and there are no objective evidence of impairment; or
2. Loans which individually have insignificant value; or
3. Restructured loan which individually have insignificant value.

Individual impairment calculation

The amount of the impairment is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future impairment losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the allowance for impairment losses account and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income. If a loan or held-to-maturity financial assets has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Bank uses a fair value of collateral method as a basis for future cash flow if, one of the following conditions is met:

1. Loans are collateral dependent, i.e. if source of loans repayment comes only from the collateral; or
2. Foreclosure of collateral is most likely to occur and supported with legal binding aspect.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

G. Allowance for impairment losses of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

Collective impairment calculation

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics such by considering credit segmentation and past-due status. Those characteristics are relevant to the estimation of future cash flows for groups of such assets which indicate debtors or counterparties' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The Group uses statistical model analysis methods, consists of roll rates analysis method and migration analysis method for financial assets impairment which are collectively assessed using at the minimum of 3 (three) years historical data.

In migration analysis method, management determines 12 months as the estimated and identification period between a loss occurring for each identified portfolio, except for Micro banking segment in which the loss identification period used is 9 months.

When a loan is uncollectible, it is written off against the related allowance for loan impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and marketable securities (in held-to-maturity and loans and receivables categories) are classified into "allowance for impairment losses".

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the impairment reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

Subsequent recoveries of loans written off in previous year, are recognised as other operating income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

G. Allowance for impairment losses of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

Allowance for possible losses on earning assets of Subsidiary based on sharia

1. Earning assets consist of current account and placements with Bank Indonesia in the form of Bank Indonesia Sharia Certificate (SBIS), Bank Indonesia Sharia Deposit Facility (FASBIS), Reverse Repo Receivables SBSN BI, Term Deposit Foreign Currency Sharia BI, current accounts with other sharia banks, placement with other sharia banks, investment in marketable securities, *istishna* receivables, *ijarah* receivables, funds of *qardh*, *musyarakah* financing, *mudharabah* financing, *ijarah* assets, and commitments and contingencies with credit risk, such as bank guarantees, irrevocable letters of credit (LC) and standby letters of credit.

Allowance for impairment losses of earning assets and non-earning assets for commercial bank conducting business based on sharia principles based on FSA Regulation No. 16/POJK.03/2014 dated November 18, 2014, and FSA Regulation No. 12/POJK.03/2015 dated August 21, 2015.

The guidelines for establishment of the allowance for impairment losses on earning assets based on the aforementioned Bank Indonesia Regulation are as follows:

- a) General reserve, shall be no less than 1% of total earning assets classified as current, excluding Bank Indonesia Sharia Certificates and securities issued by the Government based on sharia principles, and part of earning assets guaranteed by government and cash collateral in the form of demand deposits, saving deposits, time deposits, guarantee deposits, and/or gold which are pledged accompanied with the power of attorney to liquidate.
- b) Special reserve shall be at least:
 - 5% of earning assets classified as Special Mention after deducted by collateral value;
 - 15% of earning assets classified as Substandard after deducted by collateral value;
 - 50% of earning assets classified as Doubtful after deducted by collateral value;
 - 100% of earning assets classified as Loss after deducted by collateral value.
- c) The requirement to establish allowance for impairment losses shall not be applicable for earning assets under leasing transactions in the form of *ijarah* or leasing transaction with transfer of ownership of leasing object in the form of *ijarah muntahiyah bittamlik*. The Bank is required to depreciate/amortize for the assets of *ijarah muntahiyah bittamlik*.

For marketable securities and placements to the bank, the quality rating is classified into 3 (three) classifications: current, substandard, and loss. Quality rating of equity investment is determined into 4 (four) categories: current, substandard, doubtful and loss.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

G. Allowance for impairment losses of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

Allowance for possible losses on earning assets of Subsidiary based on sharia (continued)

2. For *murabahah*, Subsidiary evaluates whether there is an objective evidence the financial assets or group of financial assets are impaired at each statement of financial position date as a result of an event occurred after initial recognition which impact the estimated future cash flows that can be reliably estimated. Impairment is recognised as allowance and charged to the current statement of consolidated profit or loss and other comprehensive income current year.

For the collective impairment, as allowed under SFAS No. 102 (Revised 2013), Bank Indonesia's circular letter No. 15/26/DPBs dated July 10, 2013 and FSA's letter No. S-129/PB.13/2014 dated November 6, 2014, for the first adoption, the Subsidiary may apply transition rule for collective impairment in accordance with prevailing Bank Indonesia's regulation. The transition rule can be applied at the latest December 31, 2014.

Since January 1, 2015, allowance for impairment on *murabahah* receivables calculated using collective according to SFAS No. 55, "Financial Instruments: Recognition and Measurement". According to the transition rule, the addition (revesal) of allowance for collective impairment as the implementation date of January 1, 2015 is charged to retained earnings as of January 1, 2015. Refer to Note 64 on the impact of the deduction to the financial statements.

3. Directly attributable income and expenses are recognised using the initial effective interest rate used to discount the future cash flow of the assets.

(b) Financial assets classified as available for sale

- The Group assesses at each date of the consolidated statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. Refer to Note 2c.(G).(a) for the criteria of objective evidence of impairment.
- In the case of debt instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated statement of profit or loss and other comprehensive income is removed from equity and recognised in the consolidated statement of profit or loss and other comprehensive income.
- If, in a subsequent period, the fair value of a financial asset classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated statement of profit or loss and other comprehensive income, the impairment loss is reversed through the consolidated statement of profit or loss and other comprehensive income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

G. Allowance for impairment losses of financial assets (continued)

(c) Financial guarantee contracts and commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor defaulted to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other institutions on behalf of customers to secure loans and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at inception is likely to equal the premium received because all guarantees are agreed on arm's length terms. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is amortised over the period of guarantees using the straight line method.

Bank determines impairment losses on financial assets of financial guarantee contracts that have credit risk and commitment based on the value of the higher of the amortised value (carrying value) and the present value of the payment of liabilities that are expected to occur (when payment under the guarantee has become probable) or value impairment losses were calculated based on historical loss data for a collective evaluation of impairment.

H. Investment in sukuk

Since January 1, 2016, the group determines the classification of the investments on the sukuk based on:

Before the initial recognition, the Group determines the classification of investment in sukuk based on the Group's investment objective. Investment in sukuk can be measured as follows:

- Acquisition cost
If the investment is held within a business model that aims to collect contractual cash flows and there is a contractual requirement to determine the specific date of principal payments and/or the result. The acquisition cost for sukuk *ijarah* and sukuk *mudharabah* are included in the transaction cost. The difference between acquisition cost and nominal value is amortized using straight line method during the period of the sukuk instrument.
- Measured at fair value through other comprehensive income
If the investment is held within a business model whose primary purpose is to obtain contractual cash flows and sell off sukuk and the contractual requirements determine by specific date of payment of principal and/or results. The acquisition cost of sukuk *ijarah* and sukuk *mudharabah* are included as transaction costs. The difference between the acquisition cost and nominal value is amortized on straight-line basis over the terms of sukuk. The changes in fair value are recognised in other comprehensive income. At the time of derecognition, the changes in fair value in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

H. Investment in sukuk (continued)

- Measured at fair value through profit or loss
The acquisition cost of sukuk *ijarah* and sukuk *mudharabah* are measured at fair value through profit or loss excluding transaction costs. For investments in sukuk which are measured at fair value through profit or loss, the difference between the fair value and the carrying amount is recognised in profit or loss.

Prior to January 1, 2016, the group determines the classification of the investments on the sukuk based on:

- Acquisition cost
If the investment is held within a business model whose primary purpose is to obtain contractual cash flows and its contractual terms contained the determine the specified date of payment of principal and / or results. At the time of initial measurement, investments are recorded at acquisition cost which includes transaction costs. After initial recognition, sukuk investment is measured at amortized value. The difference between the acquisition cost and nominal value is amortized on straight-line basis over the terms of sukuk instruments.

If there are indications of impairment, the Bank measures the recoverable amount. If the recoverable amount is less than the carrying amount, the Bank will recognised the impairment loss. Recoverable amount is the amount that would be obtained from the recovery of principal without taking into account the present value.

- Fair value
The fair value of investment is determined by the reference for the following order: quoted prices in an active market, or the price that occurred from the transaction date if there are no quoted prices in an active market, or fair value of similar instruments if there are no quoted prices in an active market and no price which occurred from the transaction date.

At the time of initial recognition, investment sukuk in this classification are recorded at acquisition cost, but the acquisition price does not include transaction costs. After initial recognition, investments are recognised at fair value. The difference between the fair value and the carrying amount is recognised in the consolidated statement of comprehensive income.

I. Sukuk *mudharabah* issued

Recognition and measurement

Sukuk *mudharabah* issued is recognised when the entity has been a party following requirement of sukuk *mudharabah* issuance. Sukuk *mudharabah* is recognised at nominal value. Transaction costs are recognised separately from sukuk *mudharabah* and amortized using straight line following the period of sukuk *mudharabah*.

Presentation

Sukuk *mudharabah* is presented as liability and the transaction costs of sukuk issuance are presented in assets as deferred expenses

J. Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

J. Determination of fair value (continued)

A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability; or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability should be measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of financial instruments traded in active markets, such as marketable securities and government bonds, is determined based on quoted market prices at the statement of financial position date from credible sources such as quoted market prices from Bloomberg, Reuters or broker's quoted price. Investments in mutual fund units are stated at market value, in accordance with the net value of assets of the mutual funds at the consolidated statement of financial position date.

A financial instrument is regarded as quoted in an active market, if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For marketable securities with no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which substantially have the same characteristic or calculated based on the expected cash flows of the underlying net asset base of the marketable securities.

For government bonds with no quoted market prices, a reasonable estimate of the fair value is determined using the internal model based on the present value of expected future cash flows using next-repricing method with deflator factor.

d. Principles of consolidation

The consolidated financial statements include the financial statements of Bank Mandiri and its majority-owned or controlled Subsidiaries in which the majority shareholding are owned or controlled by the Bank.

Where subsidiaries either began or ceased to be controlled during the year, the results of operations of those subsidiaries are included in the consolidated financial statements only from the date that the control has commenced or up to the date that the control has ceased.

Control is presumed to exist where the Bank is exposed, or has rights, to variable returns from its involvement with the Subsidiaries and has ability to use its power to affect its returns from its involvement with the Subsidiaries.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Principles of consolidation (continued)

The Bank controls Subsidiaries if and only if the Bank acquires these rights:

- a) Power over the Subsidiaries (has existing rights that give it the current ability to direct the relevant activities, ie the activities that significantly affect the Subsidiaries' returns);
- b) Exposure, or rights, to variable returns from its involvement with the subsidiaries;
- c) The ability to use its power over the Subsidiaries to affect the amount of the Bank's returns

In the consolidated financial statements, all significant inter-company balances and transactions have been eliminated. Non-controlling interest in net income of Subsidiaries is presented as a deduction of consolidated net income in order to present the Bank's income. Non-controlling interest in net assets are presented as part of equity in the consolidated statement of financial position, except for non-controlling interest from mutual fund consolidation are presented as part of liabilities in the consolidated statement of financial position.

The consolidated financial statements are prepared using a consistent accounting policy for transactions and events in similar circumstances. The accounting policies adopted in preparing the consolidated financial statements have been consistently applied by the Subsidiaries, unless otherwise stated.

If the control on an entity is obtained or ends in the current year, the entity's net income are included in the consolidated statement of income from the date of acquisition of the control or until the date of the control is ceased.

Business combination transaction amongst entities under common control, in form of transfer of business conducted for the purpose of reorganisation of entities under common control, does not represent a change of ownership in terms of economic substance, therefore, there shall be no gain or loss recognised by the group as a whole and by individual entities within the group.

Since the business combination transaction amongst entities under common control does not cause any change in economic substance of ownership of the transferred business, therefore the transaction is recognised at book value using the pooling interest method.

Changes in the Bank's ownership interest in Subsidiaries that does not result in a loss of control is accounted for as an equity transaction, in this case a transaction with owners in their capacity as owners. Any difference between the amount by when the non-controlling interest are adjusted and their fair value if the consideration paid or received shall be recognised directly in equity and attributable to the owners of the parent.

The entity that accepts/releases a business in a combination or separation of business amongst entities under common control, shall recognise the difference between benefits being transferred or received and the recorded amount of every business combination transaction as equity and present it under additional paid-in capital/share premium.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Foreign currency transactions and balances

Subsidiaries and overseas branches

Bank Mandiri maintains its accounting records in Indonesian Rupiah. For consolidation purposes, the financial statements of the overseas branches and overseas Subsidiaries of Bank Mandiri denominated in foreign currencies are translated into Rupiah based on the following bases:

- (1) Assets and liabilities, commitments and contingencies - using the Reuters spot rates at the consolidated statement of financial position date.
- (2) Revenues, expenses, income and losses - using the average middle rates during each month when the transaction occurs.
- (3) Shareholders' equity accounts - using historical rates on the date of transaction.
- (4) Statements of cash flows - using the Reuters spot rates at the reporting date, except for income and loss statement balances which are translated using the average middle rates and shareholders' equity balances which are translated using historical rates.

The differences arising from the translation adjustment is presented as "Differences arising from translation of foreign currency financial statements" under the Shareholders' Equity section of the consolidated statement of financial position.

Transactions and balances in foreign currencies

Transactions in currencies other than Rupiah are recorded into Rupiah by using rates on the date of the transactions. At consolidated statement of financial position date, all foreign currencies monetary assets and liabilities are translated into Rupiah using the Reuters spot rates at 4.00 p.m. WIB (Western Indonesian Time) on December 31, 2016 and 2015. The resulting gains or losses are credited or charged to the current year's consolidated statements of profit or loss and other comprehensive income.

The exchange rates used against the Rupiah at the dates of the consolidated statement of financial position are as follows (amounts in full Rupiah):

	December 31, 2016	December 31, 2015
Great Britain Pound Sterling 1/Rp	16,555.01	20,439.02
Euro 1/Rp	14,175.77	15,056.67
United Stated Dollar 1/Rp	13,472.50	13,785.00
Japanese Yen 100/Rp	11,507.00	11,452.00

Other foreign currencies are not disclosed as above since it is considered not material in the translation of transaction in foreign currencies of the Bank and Subsidiaries.

f. Transactions with related parties

The Bank and Subsidiaries enter into transactions with parties which are defined as related parties in accordance with Statement of Financial Accounting Standards (SFAS) No. 7 regarding "Related Party Disclosures" and Regulation of Bapepam and LK No. KEP-347/BL/2012, dated June 25, 2012 regarding "Financial Statements Presentation and Disclosure of Issuers or Public Companies".

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Transactions with related parties (continued)

A related party is a person or entity that is related to the entity that prepares its financial statements (reporting entity). The related parties are as follows:

- 1) A person who a) has control or joint control over the reporting entity; b) has significant influence over the reporting entity; or c) the key management personnel of the reporting entity or the parent of the reporting entity.
- 2) An entity is related to a reporting entity if any of the following:
 - a) The entity and the reporting entity are members of the same group;
 - b) An entity is an associate or joint venture of the entity;
 - c) Both entities are joint ventures from the same third party;
 - d) An entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - e) The entity is a post-employment benefit plan for the benefits of employee either from the reporting entity or an entity related to the reporting entity;
 - f) The entity is controlled or jointly controlled by a person identified as referred to in point 1); or
 - g) A person identified as referred to point 1) letter a) has significant influence over the entity or the entity's key management personnel;
 - h) The entity is controlled, jointly controlled or significantly influenced by the Government, namely the Minister of Finance or the local governments which are the shareholders of the entity.
- 3) Parties which are not related parties are as follows:
 - a) Two entities simply because they have the same director or key management personnel or because the key management personnel of one entity has significant influence over the other entity;
 - b) Two joint venturers simply because they share joint control of a joint venture;
 - c) Fund provider, trade unions, public service, and ministry and agencies of government that does not control, jointly control or significantly influence the reporting entity, solely in the execution of normal dealings with the entity;
 - d) Customers, suppliers, franchisor, distributor or general agent with whom an entity enter into transaction with significant volumes of business solely because economic dependence due to circumstances.

All significant transactions with related parties have been disclosed in Note 55.

g. Cash and cash equivalents

Cash and cash equivalents consist of cash, current accounts with Bank Indonesia and current accounts with other banks and other short term highly liquid investments with original maturities of 3 (three) months or less since the date of acquisition.

h. Current accounts with Bank Indonesia and other banks

The minimum statutory reserve

Current accounts with Bank Indonesia and other banks are classified as loans and receivables. Refer to Note 2c for the accounting policy of loans and receivables.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Current accounts with Bank Indonesia and other banks (continued)

The minimum statutory reserve (continued)

Based on Bank Indonesia Regulation No. 10/19/PBI/2008 dated October 14, 2008 regarding Statutory Reserves of Commercial Banks in the Bank Indonesia in Rupiah and Foreign Currency, as amended by Bank Indonesia Regulation No. 10/25/PBI/2008 dated October 23, 2008 as amended by Bank Indonesia Regulation No. 12/19/PBI/2010 dated October 4, 2010 as amended by Bank Indonesia Regulation No. 13/10/PBI/2011 dated February 9, 2011 which has been amended with PBI No. 15/15/PBI/2013 dated December 24, 2013 and updated by Bank Indonesia Regulation No.17/21/PBI/2015 dated November 26, 2015, PBI No. 18/3/PBI/2016 dated March 10, 2016 and PBI No. 18/14/PBI/2016 dated August 18, 2016, the Bank should comply with a Minimum Statutory Reserve (GWM) in Bank Indonesia in Rupiah and foreign currencies. Minimum reserve requirement in Rupiah consists of Primary GWM, Secondary GWM and Loan to Funding Ratio (LFR) GWM.

Primary GWM in Rupiah is set at 6.50% (2015: 7.50%) from the Rupiah third party funds, secondary GWM in Rupiah is set at minimum 4.00% from the Rupiah third party funds and GWM LFR in Rupiah is calculated by the difference between lower disincentive parameter or higher disincentive parameter with the difference between Bank's LFR and target LFR by taking into account the difference between Bank's Capital Adequacy Ratio (CAR) and incentive CAR. Primary GWM and secondary GWM are applied effectively starting November 1, 2010 and GWM LDR is applied effectively starting 1 March 2011. GWM LFR applied effectively on August 3, 2015 to replace GWM LDR.

GWM in foreign currency is set at 8.00% of foreign currency third party fund.

The subsidiary company that engaged in business operation using Sharia principle, had implemented the Minimum Statutory Reserve in accordance with Bank Indonesia Regulation No. 6/21/PBI/2004 dated August 3, 2004 regarding the Minimum Statutory Reserve in Rupiah and foreign currencies for Commercial Bank that engaged in business operation based on Sharia principle, which amended by Bank Indonesia Regulation No. 8/23/PBI/2006 dated October 5, 2006 and the latest amendment using Bank Indonesia Regulation No. 10/23/PBI/2008 dated October 16, 2008 and subsequently replace by PBI No.15/16/PBI/2013 dated December 24, 2013, where every bank is obliged to maintain the Minimum Statutory Reserve in Rupiah and foreign currencies at 5.00% and 1% from third party fund in Rupiah and foreign currencies.

i. Placements with Bank Indonesia and other banks

Placements with Bank Indonesia and other banks represent placements in the form of Bank Indonesia deposit facility (FASBI), sharia FASBI (FASBIS), call money, "fixed-term" placements, time deposits and others.

Placements with Bank Indonesia and other banks are stated at amortised cost using effective interest rate less any allowance for impairment losses.

Placement with Bank Indonesia and other banks are classified as loans and receivables. Refer to Note 2c for the accounting policy of loans and receivables.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Marketable securities

Marketable securities consist of securities traded in the money market such as Certificates of Bank Indonesia (SBI), Sharia Certificates of Bank Indonesia (SBIS), *Surat Perbendaharaan Negara* (SPN), Negotiable Certificates of Deposits, Medium Term Notes, Treasury Bills issued by government of other country and Government of Republic of Indonesia, export bills, securities traded on the capital market such as mutual fund units and securities traded on the stock exchanges such as shares of stocks and bonds including Sharia Corporate bonds.

Marketable securities are classified as financial assets at fair value through profit or loss, available for sale, held to maturity, loan and receivables and at cost. Refer to Note 2c for the accounting policy of financial assets at fair value through profit or loss, available for sale, held to maturity, loan and receivables and at cost.

Investments in mutual funds units are stated at market value, in accordance with the net value of assets of the mutual funds as at the date of the consolidated statement of financial position.

For marketable securities which are traded in organised financial markets, fair value is generally determined by reference to quoted market prices by the stock exchanges at the close of business on the consolidated statement of financial position date. For marketable securities with no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which substantially have the same characteristic or calculated based on the expected cash flows of the underlying net asset base of the marketable securities. Any permanent impairment in the fair value of marketable securities classified as held to maturity and available for sale is charged to current year's consolidated statement of profit or loss and other comprehensive income.

Reclassification of marketable securities to held to maturity classification from available for sale are recorded at fair value. Unrealised gains or losses are recorded in the equity section and will be amortised up to the remaining live of the marketable securities using the effective interest rate method to consolidated statement of profit or loss and other comprehensive income.

In 2015, a Subsidiary, AXA Mandiri Financial Services (AMFS) has reclassified the marketable securities (bonds) directly held by the subsidiary related to insurance technical reserves (shareholders fund reserves) in the financial statements. The subsidiary has changed the classification of the aforementioned marketable securities from financial assets at fair value through profit or loss to available-for-sale financial assets. This change is deemed as change in accounting policy therefore applied retrospectively. Since the impact of this change to the prior year's financial statements as a whole is immaterial, therefore the impact of the change is directly charged in 2015 financial statements. No restatement of the prior year's financial statements is considered necessary.

k. Government bonds

Government bonds represent bonds issued by the Government of the Republic of Indonesia. Government bonds consists of Government Bonds from the recapitalisation program and government bonds purchased from the market.

Government bonds are classified as financial assets at fair value through profit or loss, available for sale, held to maturity and at cost. Refer to Note 2c for the accounting policy of financial assets at fair value through profit or loss, available for sale, held to maturity and at cost.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Other receivables - trade transactions

Other receivables - trade transactions represent receivables resulting from contracts for trade-related facilities given to customers, which will be reimbursed on maturity.

Other receivables - trade transactions are classified as financial assets in loans and receivables. Refer to Note 2c for the accounting policy of loans and receivables.

m. Securities purchased/sold under resale/repurchase agreements

Securities purchased under resale agreements are presented as assets in the consolidated statement of financial position at the agreed resale price less unamortised interest income and allowance for impairment losses. The difference between the purchase price and the agreed selling price is treated as deferred (unamortised) interest income and amortised as income over the period, commencing from the acquisition date to the resale date using the effective interest rate method.

Securities purchased under resale agreements are classified as financial assets in loans and receivables. Refer to Note 2c for the accounting policy of financial assets for loans and receivables.

Securities sold under repurchase agreements are presented as liabilities in the consolidated statement of financial position at the agreed repurchase price net of the unamortised prepaid interest. The difference between the selling price and the agreed repurchase price is treated as prepaid interest and recognised as interest expense over the period, commencing from the selling date to the repurchase date using effective interest rate method.

Securities sold under repurchase agreements are classified as financial liabilities at amortised cost. Refer to Note 2c for the accounting policy for financial liabilities at amortised cost.

n. Derivative receivables and derivative payables

All derivative instruments (including foreign currency transactions for funding and trading purposes) are recognised in the consolidated statement of financial position at their fair values. Fair value is determined based on market value using Reuters rate at reporting date or discounted cash flow method.

Derivative receivables are presented at the amount of unrealised gain from derivative contracts, less allowance for impairment losses. Derivative payables are presented at the amount of unrealised loss from derivative contracts.

Gains or losses from derivative contracts are presented in the consolidated financial statements based on its purpose designated upon acquisition, as (1) fair value hedge, (2) cash flow hedge, (3) net investment in a foreign operation hedge, and (4) trading instruments as follows:

1. Gain or loss on a derivative contract designated and qualifies as a fair value hedging instrument and the gain or loss arising from the changes in fair value of hedged assets and liabilities is recognised as gain or loss that can be set off one another during the same accounting period/year. Any difference representing hedge ineffectiveness is directly recognised as gain or loss in current year.
2. The effective portion arising from gain or loss of derivative contracts, designated as a cash flow hedge instruments is reported as other comprehensive income. The hedge ineffective portion is recognised as a gain or loss in the current year.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Derivative receivables and derivative payables (continued)

3. Gain or loss arising from derivative contract that is designated as a net investment hedge in a foreign operation is reported as other comprehensive income, as long as the transactions are effectively recognised as hedge transactions.
4. Gain or loss arising from derivative contract that is not designated as a hedging instrument (or derivative contract that does not qualify as a hedging instrument) is recognised as gain or loss in current year.

Derivative receivables are classified as financial assets at fair value through profit or loss, meanwhile derivative payables are classified as financial liabilities at fair value through profit or loss. Refer to Note 2c for the accounting policy of financial assets and liabilities at fair value through profit or loss.

o. Loans and sharia receivables/financing

Loans represent agreement to provide cash or cash equivalent based on agreements with borrowers, where borrowers are required to repay their debts with interest after a specified period, and matured trade finance facilities which have not been settled within 15 days.

Syndicated loans, direct financing and joint financing, and channeling loans are stated at their outstanding balances in proportion to the risks borne by the Bank and its Subsidiaries.

Included in loans are financing by Bank Syariah Mandiri ("BSM"), a Subsidiary, in the form of sharia receivables, sharia financing and funds of *Qardh*.

Brief explanation for each type of sharia financing is as follows:

Mudharabah financing is a co-operation for certain project between first party (*malik, shahibul mal* or Subsidiary) as owner of fund and second party (*amil, mudharib* or debtors) as fund manager whereas the profit sharing will be shared in accordance with percentage as stated in the agreement, meanwhile losses will be borne by the Subsidiary except if the second party does negligence, error or violate the agreement. *Mudharabah* financing is stated at the outstanding financing balance less allowance for possible losses.

Musyarakah financing is a co-operation between two or more parties in a certain business wherein each party provides a portion of fund on condition that the profit shall be shared based on the agreement, whereas losses shall be borne in accordance with the portion of the fund of each party. Permanent *musyarakah* is *musyarakah* in which the fund portion of each partner is stated explicitly in the contract and remains the same until the contract expires. Declining *musyarakah* (*musyarakah mutanaqisha*) is *musyarakah* in which the fund portion of the Bank will be transferred in several stages to the other partner, resulting in the declining of fund portion of the Bank and, at the end of contract, the other partner will become the sole owner of the business. *Musyarakah* financing is stated at the outstanding financing balance less allowance for possible losses.

Ijarah receivables are the financing on the availability of fund in relation to transferring the right to use and benefit of a good and service based on rental transaction which was not followed by transfer of the goods ownership to the lessee. *Ijarah muntahiyah bittamlik* is an agreement on the availability of fund in relation to transferring the use right and benefit of a good or service based on rental transaction with an option to transfer the ownership of goods to the lessee. *Ijarah* receivables are recognised at due date at the amount of it lease income not yet received and presented at its net realisable value, which is the outstanding balance of the receivables.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Loans and sharia receivables/financing (continued)

Murabahah receivables are the financing of goods by confirming purchase price to a buyer and the buyer pays it with a higher price as an agreed profit. *Murabahah* are the transaction of sales of goods by stating the cost and income (margin) that has been agreed by the seller and buyer. *Murabahah* financing is classified as financial assets under loans and receivables according to SFAS No. 55 "Financial Instruments: Recognition and Measurements".

Murabahah receivables initially are stated at fair value added transaction cost/directly attributable administration fee and additional acquisition cost to acquire those financial assets and after initial recognition are measured at amortised cost using the effective interest rate method less the allowance for impairment losses.

Murabahah receivables are stated at the balance of the receivable less deferred margin and allowance for possible losses. The Bank calculates the allowance for impairment loss according to the *murabahah* financing quality according to each of financing balance.

Istishna receivables are the financing of goods in the form of manufacturing the ordered goods with the agreed criteria and specification by both of orderer or buyer (*Mustashni*) and manufacturer or seller (*Shani*). *Istishna* receivables are presented based on the outstanding billings less allowance for possible losses.

Qardh receivables are a borrowing at the condition that the borrower should repay the loan at specified period of time. The Subsidiary will obtain a fee (*ujrah*) from this transaction, which is recognised upon receipt. *Qardh* receivables included *Hawalah* and *Rahn* financing agreement. *Hawalah* is transfer of debts from debtors to other party (Subsidiary) which obligate to be borne or paid.

Rahn represents the pledge of goods or assets owned by the customer to the Subsidiary for an equivalent amount of money. Assets or goods pledged are appraised based on market value, less a certain deduction percentage. The Subsidiary will obtain a fee (*ujrah*), which is recognised upon receipt. *Qardh* receivables are stated at its outstanding balance less allowance for possible losses.

Loans and sharia receivables/financing are classified as financial assets in loans and receivables. Refer to Note 2c for the accounting policy of financial assets for loans and receivables.

Loan restructuring

Loan restructuring may involve a modification of the terms of the loans, conversion of loans into equity or other financial instruments and/or a combination of both.

Losses on loan restructurings due to modification the terms of the loans are recognised as part of allowance for impairment losses only if the present value of total future cash receipts specified by the new terms of the loans including receipts designated as interest and loan principal, are less than the carrying amount of loans before restructuring.

For loan restructurings which involve a conversion of loans into share/stock or other financial instruments, a loss on loan restructuring is recognised as part of allowance for impairment losses if the fair value of the equity or financial instruments received, deducted by estimated expenses to sell the equity or other financial instruments, is less than the carrying amount of loans.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Loans and sharia receivables/financing (continued)

Loan restructuring (continued)

In 2016, the Bank formed internal regulation regarding the debtors that are eligible to be removed from the list of restructured loans, i.e. when the loan/debtor has met the following criterias:

- i. Credit quality has been categorized Current (Collectibility 1) according to the review results by three (3) pillars of based on credit quality of Bank Indonesia;
- ii. The interest rate charged on the current loan facility is the commercial interest rates to debtors in accordance with the relevant credit segments above the base lending rate;
- iii. There are no Deferred Delinquency Interest (TBYD) and Deferred Interest (BYDT) which were not yet collected.

The internal provisions are applied since January 1, 2016.

p. Consumer financing receivables

Subsidiary's consumer financing receivables are recognised initially at fair value, added with directly attributable transaction costs and deducted by yield enhancing income, and subsequently measured at amortised cost using the effective interest rate method.

Subsidiary's consumer financing receivables are classified as loans and receivables. Refer to Note 2c for the accounting policy of financial assets for loans and receivables.

Early termination is treated as a cancellation of an existing contract and the resulting gain or loss is credited or charged to the current year's consolidated statement of profit or loss and other comprehensive income at the transaction date.

Credit restructuring can be done by transfer of financing, continue to finance, repay back, change the due date, change the tenor and/or increase the down payment.

Subsidiary's unearned consumer financing income is the difference between total installments to be received from customers and the total financing which is recognised as income over the term of the contract using effective interest rate.

Consumer financing receivables are stated net of joint financing receivables where joint financing providers bear credit risk in accordance with its portion (without recourse), unearned consumer financing income and allowance for impairment losses.

Joint financing receivables where jointly financed with other parties, bear credit risk in accordance with their financing portion (without recourse) and presented on a net basis in the consolidated statement of financial position. Consumer financing income and interest expense related to joint financing without recourse are also presented on a net basis in the consolidated statement of profit or loss and other comprehensive income.

For joint financing without recourse, Subsidiary has the right to set higher interest rates to customers than those as stated in the joint financing agreements with joint financing providers. The difference is recognised as revenue and disclosed as "Consumer financing income".

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Net investment in lease financing

Net investment in lease financing represent lease receivable plus the residual value which is earned at the end of the lease period and net of unearned lease income, security deposits and the allowance for impairment losses. The difference between the gross lease receivable and the present value of the lease receivable is recognised as unearned lease income. Unearned lease income is allocated to current year consolidated statement profit or loss and other comprehensive income based on a constant rate of return on net investment using the effective interest rate.

The lessee has the option to purchase the leased asset at the end of the lease period at a price mutually agreed upon at the commencement of the agreement.

Early termination is treated as a cancellation of an existing contracts and the resulting gain or loss is recognised in the current year consolidated statement of profit or loss and other comprehensive income.

Net investment in lease financing are classified as loans and receivables. Refer to Note 2c to the accounting policy for loans and receivables.

r. Fixed Assets, leased assets and intangible assets

i. Fixed assets and software

On April 1, 2016, the Group changed their accounting policy relating to land from cost model into revaluation model. Subsequently, land are stated at fair value.

Appraisal of the land is carried out by a certified external independent appraiser. Assessment of these assets are conducted regularly to ensure that the fair value of the revaluated asset is not materially different from it's carrying value.

If the fair value of the revaluated asset change significantly, it is necessary to revalue on an annual basis, whereas if the fair value of the revaluated asset does not change significantly, it is necessary to revalue at a maximum every 5 years.

The increase in the carrying value arising from the revaluation of land is recorded as "Difference arising from the revaluation of fixed assets" and is presented as "Other comprehensive income". Any impairment arising from the revaluation is recorded as expense of the current year. If the asset had a balance of "Difference arising from the revaluation of fixed assets" that is presented as "Other Comprehensive Income", then the impairment difference recorded is charged against "Difference arising from the revaluation of fixed assets" and the rest is recognised as expense of the current year.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Fixed Assets, leased assets and intangible assets (continued)

i. Fixed assets and software (continued)

The Group performed revaluation for accounting and tax purposes in the period the Group receives approval from the tax authorities. The amount of taxes paid is recognised in other comprehensive income and accumulated in equity offset with the difference arising from the revaluation of fixed assets.

Fixed assets except for land is stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs that do not have future economics benefit are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred. Software is recognised as intangible assets.

Depreciation and amortisation is calculated using the straight-line method over the estimated useful lives of fixed assets and intangible assets. The estimated useful lives and percentage of depreciation and amortization per annum are as follows:

	<u>Years</u>	<u>Percentage</u>
Buildings	20	5%
Furniture and fixtures, office equipment, computer and vehicles	4-5	20%-25%
Software	5	20%

Fixed assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Construction in progress is stated at cost and presented as part of fixed assets. Accumulated costs are reclassified to the appropriate fixed assets account when the assets are substantially complete and ready for their intended use.

In accordance with SFAS No. 16 (Revised 2011) "Fixed Assets" and ISAK 25 "Land Rights". The cost of land rights in the form of right to cultivate, right to build and use rights are recognised as fixed assets. The acquisition cost is the cost that are directly attributable to obtain land rights, including the cost of legal rights to the land when the land was first acquired.

Land rights in the form of right to cultivate, right to build and use rights are not depreciated, unless there is evidence to indicate that the extension or renewal of land rights is likely to or definitely not obtained.

SFAS No. 48 (Revised 2014), "Impairment of Assets" states that the carrying amounts of fixed assets are reviewed at each consolidated statement of financial position date to assess whether they are recorded in excess of their recoverable amounts. If the carrying value exceeds this estimated recoverable amount, assets are written down to their recoverable amount.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Fixed Assets, leased assets and intangible assets (continued)

ii. Leased assets

Under SFAS No. 30, determination of whether an agreement is a lease agreement or lease agreement containing the substance of the agreement based on the inception date and whether the fulfilment of the agreement depends on the use of an asset and the agreement provides a right to use the asset. According to this revised SFAS, leases that transfer substantially all the risks and benefit related to ownership, are classified as finance leases. Further, a lease is classified as operating leases, if the lease does not transfer substantially all the risks and benefits related to ownership of assets.

Based on SFAS No. 30, under a finance leases, Group recognise assets and liabilities in its consolidated statement of financial position as the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance expenses recorded in the consolidated statement of income. Leased assets (presented under fixed assets) are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that Bank Mandiri will obtain ownership by the end of the lease term.

Under an operating lease, the Group recognise lease payments as an expense on a straight-line basis over the lease term.

If a rental agreement contains elements of land and buildings, the Group assessed the classification of each element as a finance lease or an operating lease separately.

iii. Intangible assets

Intangible assets are recognised if, and if only when its cost can be measured reliably and it is probable that expected future benefits that are attributable to it will flow to the Bank and Subsidiaries. Intangible assets consist of goodwill and computer software that are purchased by the Bank and Subsidiaries.

Software purchased by the Bank and subsidiaries is recorded at cost less accumulated amortization and accumulation of possible losses. Amortization method, estimated useful life and residual value is reviewed at end of reporting period and adjusted if necessary.

Refer to Note 2s for the accounting treatment of goodwill.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Investments in shares

Investments in shares represent long-term investments in non-publicly-listed companies and temporary investments in debtor companies arising from conversion of loans to equity.

Investments in shares in associated company represent ownership interests of 20.00% to 50.00% are recorded using the equity method. Under this method, investments are recorded at cost and adjusted for the Bank's proportionate share in the net equity of the investees and reduced by dividends earned starting the acquisition date net of by allowance for impairment losses.

Temporary investment is written-off from the consolidated statement of financial position if it is held for more than 5 years in accordance with Bank Indonesia Regulation No. 7/2/PBI/2005 dated January 20, 2005 on "Asset Quality Ratings for Commercial Banks", as amended by Bank Indonesia Regulation No. 11/2/PBI/2009 dated January 29, 2009. Since October 24, 2012, Group follows Bank Indonesia Regulation No. 14/15/PBI/2012 dated October 24, 2012 regarding "Asset Quality Rating for Commercial Banks" and Circular Letter of Bank Indonesia No.15/28/DPNP dated July 31, 2013 regarding Asset Quality Ratings for Commercial Banks.

Investment in shares with ownership below 20.00% are classified as financial assets available for sale. Refer to Note 2c for the accounting policy of financial assets available for sale.

Goodwill is recognised when there is a difference between the acquisition cost and the Bank's portion of the fair value of identified assets and liabilities at the acquisition date. Goodwill is presented as other assets. The Bank conducts an assessment of goodwill impairment regularly.

t. Allowance for possible losses on non-earning assets

Non-earning assets of Bank Mandiri and the Subsidiaries consist of repossessed assets, abandoned properties, inter-office accounts and suspense accounts.

The Bank provided an allowance for impairment of collateral confiscated and abandoned property equivalent to different between carrying amount and fair value net of costs to sell. As for the inter-office account and suspense account, equivalent to different between carrying value and the recovery value.

u. Acceptance receivables and payables

Acceptance receivables are classified as financial assets in loans and receivables category. Refer to Note 2c for the accounting policy of financial assets for loans and receivables.

Acceptance payables are classified as financial liabilities at amortised cost. Refer to Note 2c for the accounting policy for financial liabilities at amortised cost.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Other assets

Other assets include accrued income for interest, provision and commissions, receivables, repossessed assets, abandoned properties, inter-office accounts and others.

Repossessed assets represent assets acquired by Bank Mandiri and Subsidiaries, both from auction and non auction based on voluntary transfer by the debtor or based on debtor's approval to sell the collateral where the debtor could not fulfil their obligations to Bank Mandiri and Subsidiaries. Repossessed assets represent loan collateral that were taken over as part of loans settlement and presented in "Other Assets".

Abandoned properties represent Bank and Subsidiaries' fixed assets in form of property which were not used for Bank and Subsidiaries' business operational activity.

Repossessed assets and abandoned properties are presented at their net realisable values. Net realisable value is the fair value of the repossessed assets less estimated costs of liquidating the repossessed assets. Any excess of the loan balance over the value of the repossessed assets, which is not recoverable from the borrower, is charged to the allowance for impairment losses. Differences between the estimated realisable value and the proceeds from disposal of the repossessed assets are recognised as current year's gain or loss at the date of disposal.

Expenses for maintaining repossessed assets and abandoned properties are recognised in the current year's consolidated statement of profit or loss and other comprehensive income. Any permanent impairment loss occurred will be charged to the current year's consolidated statement of profit or loss and other comprehensive income. Refer to Note 2t for changes in accounting policy to determine impairment losses on repossessed assets and abandoned properties.

w. Obligation due immediately

Obligations due immediately are recorded at the time of the obligations occurred from customer or other banks. Obligation due immediately are classified as financial liabilities at amortised cost.

x. Deposits from customers

Deposits from customers are the funds placed by customers (excluding banks) with the Bank and Subsidiaries which operate in banking industry based on a fund deposit agreements. Included in this account are demand deposits, saving deposits, time deposits and other similar deposits.

Demand deposits represent deposits of customers that may be used as instruments of payment, and which may be withdrawn at any time by cheque, Automated Teller Machine card (ATM) or by overbooking through bilyet giro or other orders of payment or transfers.

Saving deposits represent deposits of customers that may only be withdrawn over the counter and via ATMs or funds transfers by SMS Banking, Phone Banking and Internet Banking when certain agreed conditions are met, but which may not be withdrawn by cheque or other equivalent instruments.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x. Deposits from customers (continued)

Time deposits represent customers deposits that may only be withdrawn after a certain time based on the agreement between the depositor and the Bank. These are stated at amortised cost in the certificates between the Bank and the holders of time deposits.

Included in demand deposits are *wadiah* demand and saving deposits. *Wadiah* demand deposits can be used as payment instruments and can be withdrawn any time using cheque and *bilyet giro*. *Wadiah* demand and saving deposits earn bonus based on BSM's policy. *Wadiah* saving and demand deposits are stated at the Subsidiaries's liability amount.

Deposits from customers are classified as financial liabilities at amortised cost. Incremental costs directly attributable to acquisition of deposits from customers are included in the amount of deposits and amortised over the expected life of the deposits. Refer to Note 2c for the accounting policy for financial liabilities at amortised cost.

y. Deposits from other banks

Deposits from other banks represent liabilities to local and overseas banks, in the form of demand deposits, saving deposits, inter-bank call money with original maturities of 90 days or less, time deposits and negotiable certificate of deposits. Deposits from other banks are recorded as liability to other banks.

Included in the deposits from other banks are sharia deposits in form of *wadiah* deposits, and Certificates *Mudharabah* Investment Bank (SIMA).

Deposits from other banks are classified as financial liabilities at amortised cost. Incremental costs directly attributable to acquisition of deposits from other banks are included in the amount of deposits and amortised over the expected life of the deposits. Refer to Note 2c for the accounting policy for financial liabilities at amortised cost.

z. Insurance contract

Insurance contracts is a contract under which the insurer accepts significant insurance risk from the policyholders. Significant insurance risk is defined as the possibility of paying significantly more benefit to the policyholder upon the occurrence of insured event compared to the minimum benefit payable in a scenario where the insured event does not occur. Scenarios considered are those with commercial substance.

The Subsidiaries issue insurance contracts that accepted significant insurance risk from the policyholders. The Subsidiary defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event of at least 10% more than the benefits payable if the insured event did not occur. When an insurance contract does not have significant insurance risk, it is classified as investment contracts.

The Subsidiaries issues insurance contracts for traditional insurance product and investment-linked insurance product. Both of these products have significant insurance risk.

The Subsidiaries's products are divided into the following main categories:

- Traditional non-participating life insurance, provide protection to cover the risk of death, accident, critical illness, and health of the insured. The basic sum assured will be paid upon the occurrence of the risks covered.
- Unit-link, is the insurance product with single and regular premium payment which linked to investment products, which provide a combined benefit of the protection and investment.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z. Insurance contract (continued)

Once a contract has been classified as an insurance contract, no reclassification is subsequently performed unless the terms of the agreement are later amended. All insurance products issued by the subsidiary has significant insurance risk.

The Subsidiary unbundles the deposit component of unit-link contract as required by SFAS No. 62 when both the following conditions are met:

- The Subsidiary can measure separately the “deposit” component (including any embedded surrender option, i.e. without taking into account the “insurance” component);
- The Subsidiary’s accounting policies do not otherwise require to recognise all obligations and rights arising from the “deposit” component.

The Subsidiary does not separate the deposit component because only one of the above condition is met.

Liability adequacy test

Liability adequacy testing is performed at reporting date for contract individually or group of products determined in accordance with the Subsidiary’s method of acquiring, servicing and measuring the profitability of its insurance contracts.

For life insurance, the liabilities to policyholder in particular the liabilities for future claim is tested to determine whether they are sufficient to cover all related future cash out flow include all guaranteed benefit and guaranteed additional benefit, non-guaranteed participation benefit feature (if any), all expenses for policies issuance and maintainance, as well as reflecting the future cash inflow, i.e. future premium receipt. The liabilities are calculated based on discounted cash flow basis for all related cash flows i.e. both of cash outflows and cash inflows as mentioned above using a set of most recent best estimate assumptions set by the Subsidiary’s appointed actuary, included discount rate assumptions, mortality/morbidity assumptions, lapse assumptions, expense assumptions and inflation assumptions as well as margin for adverse deviation assumptions. Subsidiary operates in life insurance use Gross Premium Reserve with best estimate and margin for adverse deviation therefore liability adequacy test is not required.

For loss insurance, Subsidiary performs liability adequacy testing on the reporting date by using present value of future cash flow based on insurance contracts.

If the testing shows a deficiency between insurance liabilities carrying amount (deducted with deferred acquisition cost for loss insurance) and estimation of future cash flows, the deficiency will be charged in the consolidated statement of profit or loss and other comprehensive income.

Reinsurance

The Subsidiaries reinsure a portion of its risk with reinsurance companies. The amount of premium paid or portion of premium from prospective reinsurance transactions is recognised over the reinsurance contract in proportion with the protection received.

Reinsurance assets include balances expected to be recovered from reinsurance companies for ceded liability for future policy benefits, ceded estimated claim liabilities and ceded unearned premiums. Recovery amount from reinsurers are estimated in a manner consistent with the liability associated with the reinsured policy.

Subsidiaries present separately reinsurance asset as asset of the insurance liability.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z. Insurance contract (continued)

Reinsurance (continued)

If a reinsurance asset is impaired, the Subsidiaries deducted the carrying amount accordingly and recognises that impairment loss in the consolidated statement of profit or loss and other comprehensive income. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Subsidiary may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Subsidiary will receive from the reinsurer can be reliably measured.

Liability for future policy benefits

The liabilities for future policy benefits represent the present value of estimated future policy benefits to be paid to policyholders or their heirs less present value of estimated future premiums to be received from the policyholders and recognised consistently with the recognition of premium income. The liabilities for future policy benefits are determined and computed based on certain formula by the Subsidiary's actuary or registered independent actuary.

The Subsidiaries calculate the liability for future policy benefits using Gross Premium Reserve method that reflect the present value of estimated payments throughout the guaranteed benefits including all the embedded options available, the estimated present value of all handling costs incurred and also considering the future premium receipt.

Increase (decrease) in liabilities for future policy benefits is recognised in the current year's consolidated statement of profit or loss and other comprehensive income.

Liability to unit-link policyholders classified as insurance liability.

The liability to unit-link policyholders is recognised at the time the funds received are converted into units, net of related expenses and will increase or decrease in accordance with effective net asset value.

Funds received from customers for non-sharia unit-link products are reported as gross premium income in the consolidated statements of profit or loss and other comprehensive income. Liabilities to unit-link policyholders are recognised in the consolidated statement of financial position computed based on unearned premium reserves using daily method from insurance cost of mortality risk plus reserves for the accumulated invested fund of unit-link policyholders.

Any interest, gain or loss due to increases or decreases in market value of investments are recorded as income or expense, with a corresponding recognition of increase or decrease in liability to unit-link policyholders in the statements of profit or loss and other comprehensive income and liability to unit-link policyholders in the consolidated statement of financial position.

Funds received from customers for sharia unit-link products is recognised as liabilities to unit-link policyholders in the consolidated statement of financial position for the amount received net of the portion representing the Subsidiary fees in managing the unit-link product income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z. Insurance contract (continued)

Unexpired Risk Reserve (URR)

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the insurance contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expense and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

aa. Marketable securities issued

Marketable securities issued by the Bank and its Subsidiaries, include bonds, subordinated notes, medium term notes and travellers' cheques, are initially measured at fair value plus directly attributable transaction costs. Subsequently transactions costs are amortised using the effective interest rate up to the maturity of marketable securities issued.

Marketable securities issued are classified as financial liabilities at amortised cost. Refer to Note 2c for the accounting policy for financial liabilities at amortised cost.

ab. Fund borrowings

Fund borrowings represent funds received from other banks, Bank Indonesia or other parties with the obligation of repayment in accordance with the requirements of the loan agreement.

Fund borrowings are initially measured at fair value minus directly attributable transaction costs. Fund borrowings are classified as financial liabilities at amortised cost. Refer to Note 2c for the accounting policy for financial liabilities at amortised cost.

ac. Subordinated loans

Subordinated loans are initially measured at fair value minus directly attributable transaction costs. Subsequently transactions costs are amortised using the effective interest rate up to the maturity of subordinated loans.

Subordinated loans are classified as financial liabilities at amortised cost. Refer to Note 2c for the accounting policy for financial liabilities at amortised cost.

ad. Income tax

Bank Mandiri and Subsidiaries applies SFAS No. 46 (Revised 2014) "Income Tax" which required Bank Mandiri and Subsidiaries to account for the current and future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in the consolidated statement of financial position; and transactions and other events of the current period.

The tax expense comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ad. Income tax (continued)

Group's management periodically evaluates the implementation of prevailing tax regulations especially those that are subject to further interpretation on its implementation, including evaluation on tax assessment letters received from tax authorities. Where appropriate the Bank establishes provisions based on the amounts expected to be paid to the tax authorities.

Bank Mandiri and subsidiaries applies the balance sheet liability method to determine income tax expense. Under the balance sheet liability method, deferred tax assets and liabilities are recognised for all temporary differences arising between the tax base of assets and liabilities and their carrying amount in the consolidated statement of financial position at each reporting date. This method also requires the recognition of future tax benefits, to the extent that realisation of such benefits is probable.

Deferred tax assets are recognised if there is probable future that taxable income will be sufficient to compensate deferred tax assets arising on the temporary differences.

Deferred tax is calculated using tax rates enacted or substantively applied to the period during which the asset is realized or the liability is settled. The changes to the carrying value of deferred tax assets and liabilities due to the changes of tax rates are charged in the current year, except for transactions which previously have been directly charged or credited to equity.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the result of the appeal is determined. Management provides provision for future tax liability at the estimated amount that will be payable to the tax office if there is a probable tax exposure, based on management's assessment as of the date of consolidated statement of financial position. Assumptions and estimation used in the provisioning calculation may involve element of uncertainty.

The estimated corporate income tax of Bank Mandiri and Subsidiaries is calculated for each company as a separate legal entity. Current tax assets and current tax liabilities for different legal entities can not be set-off in the consolidated financial statements. Corporate tax payables and other tax payables of Bank Mandiri and Subsidiaries are presented as taxes payable in the consolidated statement of financial position.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

ae. Temporary *syirkah* funds

Temporary *syirkah* funds represent investment received by a Subsidiary. The Subsidiary has the right to manage and invest funds in accordance with either the Subsidiary's policy or restriction set by the depositors with the agreed profit sharing.

Relationship between the Subsidiary and the owner of temporary *syirkah* funds are based on partnership *mudharabah muthlaqah*, *mudharabah muqayyadah* or *musyarakah*. The examples of temporary *syirkah* funds are investment funds received from *mudharabah muthlaqah*, *mudharabah muqayyadah*, *mudharabah musytarakah* and other similar accounts.

- 1) *Mudharabah muthlaqah* represents *mudharabah* in which the fund owner (*shahibul maal*) entrusts to fund manager (*mudharib/Subsidiary*) in managing its investment.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ae. Temporary *syirkah* funds (continued)

- 2) *Mudharabah muqayyadah* represents *mudharabah* in which the fund owner sets restrictions against fund manager regarding, among others, the place, the means and/or the object of investment.
- 3) *Mudharabah muqayyadah* represents *mudharabah* in which fund manager also submits its capital or fund in the investment.

Temporary *syirkah* funds cannot be classified as liability because the Subsidiary does not have any liability to return the fund to the owners, except for losses due to the Subsidiary's management negligence or misrepresentation. On the other hand, temporary *syirkah* funds also cannot be classified as equity, because of the existence of maturity period and the depositors do not have the same rights as the shareholders, such as voting rights and the rights of realised gain from current asset and other non-investment accounts.

Temporary *syirkah* funds represent one of the consolidated statement of financial position accounts which is in accordance with sharia principle that provide right to the Subsidiary to manage fund, including to mixing the funds with the other funds.

The owner of temporary *syirkah* funds receive parts of profit in accordance with the agreement and receive loss based on the proportion to the total funds. The profit distribution of temporary *syirkah* funds might be based on profit sharing or revenue sharing concept.

af. Interest and sharia income and expense

(i) Conventional

Interest income and expense for all interest-bearing financial instruments are recognised as "interest income" and "interest expense" in the consolidated statement of profit or loss and other comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and allocating method the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all commissions, provision and other fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the non-impaired portion of the impaired financial assets using the rate of interest used to discount the future cash flows for measuring the impairment loss.

(ii) Sharia income

Included in interest income and expense are sharia income and expense. The Subsidiary's income as a fund manager (*mudharib*) consists of income from *murabahah* and *istishna* transactions, income from *ijarah* (leasing), income from profit sharing of *mudharabah* and *musyarakah* financing and other main operating income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

af. Interest and sharia income and expense (continued)

(ii) Sharia income (continued)

Murabahah income through deferred payment or installment is recognised during the period of the contract based on effective method (annuity).

According to SFAS No. 102 (Revised 2013), *murabahah* income which includes deferred margin and administrative income are recognised as income using the effective rate of return method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial assets and includes any fees or incremental costs that are directly attributable to the assets and are an integral part of the effective financing rate.

Income from *istishna* is recognised using the percentage of completion or full completion method.

Income from *ljarah* is recognised proportionally during the contract period.

Profit sharing for passive partner in *musyarakah* is recognised in the period when the right arise in accordance with the agreed sharing ratio.

Profit sharing income from *mudharabah* is recognised in the period when the right arise in accordance with agreed sharing ratio and the recognition based on projection of income is not allowed.

(iii) Third parties' share on return of temporary *syirkah* funds

Third parties' share on the return of temporary *syirkah* funds represent fund owners' share of the profit of Subsidiary derived from managing of such funds under *mudharabah mutlaqah*, *mudharabah muqayyadah* and *mudharabah musytarakah* principles. The profit sharing is determined on the return at the Bank income.

Distribution of profit sharing is based on profit sharing principle which calculated from the Subsidiary's gross profit margin.

Total of margin income and profit sharing on financing and other productive assets will be distributed to the fund owner and subsidiary, calculated proportionally according to the allocation of fund owner and subsidiary that were used in the financing and other productive assets.

Further, margin income and profit sharing on financing facilities and other earning assets are distributed to fund owners and depositor as *shahibul maal* and the Subsidiary as *mudharib* based on a predetermined profit sharing with *nisbah* portion. Margin income and profit sharing from financing facilities and other earning assets using the Subsidiary's funds, are entirely shared for the Subsidiary, including income from the Subsidiary's fee-based transactions.

ag. Premium income and claims expenses

Premium income received from short-term insurance contracts is recognised as revenue over the period of risk coverage in proportion to the amounts of insurance protection provided. Premiums from long-term contracts are recognised as revenue when the policy is due.

Premiums received before the due date of the respective policies are reported as policyholders' deposits in the consolidated statement of financial position.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ag. Premium income and claims expenses (continued)

Claims and benefits consist of settled claims, claims that are still in process of completion and estimates of claims incurred but not yet reported (IBNR). Claims and benefits are recognised as expenses when the liabilities to cover claims are incurred. Claim recoveries from reinsurance companies are recognised and recorded as deduction from claims expenses consistent in the same period with the claim expenses recognition.

Total claims in process, including claims incurred but not yet reported, are stated at estimated amounts determined based on the actuarial technical insurance calculations. Changes in estimated claims liabilities as a result of further evaluation and the difference between estimated claims and paid claims are recognised as addition to or deduction from expenses in the period the changes occurred.

ah. Fees and commissions income

Fees and commissions income and transaction cost that are directly attributable to lending and consumer financing activities, are recognised as a part/(deduction) of outstanding loan and consumer financing receivables and will be recognised as interest income by amortising the carrying value of loan and consumer financing receivables using effective interest rate method.

The directly attributable unamortised fees and commissions balances relating to loans and consumer financing receivables and investment in lease financing which settled prior to maturity are recognised upon settlement date, of such loans, consumer financing and investment in lease financing.

Other fees and commissions income which are not directly related to lending activities or a specific periods are recognised as revenue on the transaction date.

ai. Employee benefits

Pension liability

Bank Mandiri established a defined contribution pension plan covering substantially all of its eligible employees from August 1, 1999 and also defined benefit pension plans, which were derived from each of the Merged Banks' pension plan. This program is funded through payment to pension fund's management as defined in the regular actuarial calculation.

Bank Mandiri and Subsidiaries' pension liability has been calculated by comparing the benefit that will be received by an employee at normal pension age from the Pension Plans with the benefit as stipulated under the Labor Law No. 13/2003 after deducting accumulated employee contributions and the results of its investments. If the pension benefit from the Pension Plans is less than the benefit as required by the Labor Law No. 13/2003, the Bank and Subsidiaries will have to pay such shortage.

The pension plan based on the labor law is a defined benefit plan because the labor law requires a certain formula to calculate the minimum pension benefit. A defined contribution plan is a pension plan that defines an amount of pension contribution based on pension Fund Regulation and all contribution including investment return are recorded in its account's member as pension benefit as stated in Pension Fund Law No. 11 year 1992 dated April 20, 1992 regarding Pension Fund.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ai. Employee benefits (continued)

Pension liability (continued)

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method on a regular basis for periods not exceed one year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Effective on January 1, 2015, the Bank and subsidiaries applied SFAS No. 24 (Revised 2013), "Employee Benefits". The revised SFAS, among others, removes the corridor mechanism and contingent liability disclosures to simplify classification and disclosures. The accumulated unrecognised actuarial gains or losses incurred are recognised as "Other Comprehensive Income" and is presented in the equity section. Past service cost directly charge to profit or loss. Since the impact of the revised SFAS is not significant to the consolidated financial statements, then the implementation of the revised SFAS is applied prospectively.

The post-employment benefits expense recognised during the current year consists of service cost in profit and loss, net interest on the net defined benefit liability in profit and loss and re-measurement of the net defined benefit liabilities in other comprehensive income.

Net interest on the net defined benefit liabilities is the interest income component of plan assets, interest expense of defined benefit liabilities and interest on the effect of asset ceiling.

Remeasurements of the net defined benefit liability consists of:

- Actuarial gains and losses;
- Return on plan assets, excluding amount included in net interest on the net defined benefit liability; and
- Any change in effect of the asset ceiling, excluding amount including in net interest on the net defined benefit liability.

Actuarial gains and losses may arise from the adjustments made based on the experience and changes in actuarial assumption.

Other long-term employment benefit obligations

The entitlement of these benefits is provided to the employees until reaching the retirement age and the completion of a minimum service period. The costs estimation for these benefits are accrued over the period of employment calculated, using similar methodology used for defined benefit pension plans but simplified. These obligations are calculated annually by independent qualified actuaries.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ai. Employee benefits (continued)

Tantiem distribution

Bank Mandiri records tantiem on an accrual basis and charges it to the consolidated statement of profit or loss and other comprehensive income during the year.

aj. Earnings per share

Earnings per share is calculated by dividing the consolidated net profit at end of year with the weighted average number of shares issued and fully paid-in during the year.

The weighted-average number of outstanding shares used in computing basis and diluted earnings per share as of December 31, 2016 and 2015 are 23,333,333,333 shares.

ak. Operating segment

An operating segment is a component of entity which:

- (a) involves in business activities to generate income and expenses (include income and expenses relating to the transactions with other components from the same entity);
- (b) operations result is observed regularly by chief decision maker for decision making on allocation of resources and performance evaluation on works; and
- (c) separate financial information is available.

In accordance with SFAS No. 5 - Operating Segment, the Group presents operating segment based on internal reports that are presented to the decision-maker operational activities. The decision maker is the Board of Directors. The operating segments have been divided into the following segments: Corporate, Commercial and Business; Micro and Retail; Consumer; Treasury, Financial Institution and Special Asset Management (SAM); Institutional banking; Head Office; Subsidiaries: Subsidiary - sharia, Subsidiary - insurance and other Subsidiary.

In accordance with the change in organization structure applied in early April 2016, the operating segment are separated into these operating segments: Corporation, Commercial, Retail, Treasury and Market, Head Office, Subsidiaries: Subsidiary - Sharia, Subsidiary - Insurance and other Subsidiary.

Operating segment as of December 31, 2015 are separated in these operating segments: Corporation, Commercial, Micro and Business, Consumer/Individual, Treasury and Market, Head Office, Subsidiaries: Subsidiary - Sharia, Subsidiary - Insurance and other Subsidiary.

A geographical segment is represent component of the Bank and its Subsidiaries that are providing services in different economic environment and have a different risk and reward compare to others operate in different economic environment. Geographical segments are divided into Indonesia, Asia (Singapore, Malaysia, Hong Kong and Timor Leste and Shanghai), Western Europe (England) and Cayman Islands.

al. Partnership program and community development program

Fund allocation for partnership program and community development program are no longer allocated from retained earning approved by General Shareholders Meeting instead, it is accrued and charged directly to the current year consolidated statement of profit or loss and other comprehensive income of respective year.

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3. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Several estimates and assumptions are required in the preparation of the consolidated financial statements in which the management judgment is required in determining the methodology in the valuation of assets and liabilities.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with Statements of Financial Accounting Standard are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Although these estimates and assumption are based on management's best knowledge of current events and activities, actual result may differ from those estimates and assumption.

Key sources of estimation uncertainty

a. Allowances for impairment losses of financial assets

Evaluation of impairment losses on financial assets carried at amortized cost and debt securities classified as available for sale are described in Note 2c.

Allowance for impairment losses related to a specific counterparty in the entire allowance for impairment losses established for the charges that are individually evaluated for impairment based on Management's best estimate of the present value of cash flows expected to be received. In calculating the allowance for impairment losses, management makes consideration of the financial condition of the counterparty and the net realizable value of the collateral received. Each asset is impaired are evaluated, and its completion strategy and estimation of cash flows considered recoverable are independently approved by the Credit Risk Management Unit.

Evaluation of impairment losses collectively cover credit losses inherent in the portfolio bill with similar economic characteristics when there is objective evidence that impairment has occurred in the portfolio of the bill, but the decline in the value of the individual cannot be identified. In determining the need to establish allowance for collective impairment, management considers factors such as credit quality, size of portfolio, credit concentrations, and economic factors. In estimating the required allowance, the assumptions made to determine default and loss model to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of this allowance depends on how precise the estimated future cash flows to determine the individual allowance and the model assumptions and parameters used in determining collective allowance.

b. Determining fair values of financial instruments

In determining the fair value for financial assets and financial liabilities for which there is no observable market price, the Group uses the valuation techniques as described in Note 2c for financial instruments that are traded infrequently and lack price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks.

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3. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

c. Pension programs

Pension programs are determined based on actuarial valuation. The actuary valuation involves making assumptions about discount rate, expected rate of return on investments, future salary increases, mortality rate, resignation rate and others (refer to Note 2ai and 50). Any changes in those assumptions will impact the liability balance of employee benefit obligations.

The Group determines the appropriate discount rate at the end of each year including interest rate that should be used to determine the present value of estimated future cash outflows expected to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government Bonds denominated in the similar currency with payments that will be made and have terms to maturity approximating the terms of the related employee benefit liability. Other key assumptions for pension obligations are determined based in part on current market conditions.

d. Insurance liabilities on insurance contracts

Technical reserves of subsidiaries recorded in the consolidated statement of financial position as part of "Other liabilities" are calculated based on actuarial calculation using certain actuarial assumptions which are the best estimate assumption and margin for any adverse deviations. Included in the technical reserves are liability for future policy benefits, estimated claim liabilities, unearned premium income, Unexpired Risk Reserve (URR) and liability to policyholders.

e. Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, as long as it is likely that taxable income will be available so that the temporary differences can be used. Significant estimates by management is required in determining the amount of deferred tax assets that can be recognised, based on current usage and the level of taxable income and future tax planning strategies. Banks do not take into account some of the benefits of deferred tax assets as management believes that deferred tax assets will not be recoverable in the future.

f. Depreciation and estimated useful life of fixed assets

Cost of acquisition of fixed assets are depreciated using the straight-line method based on their estimated economic useful life. Bank management estimates the useful lives of the assets between 5 (five) to 20 (twenty) years.

Changes in the level of usage and technological developments could affect the economic useful lives and residual value of assets, and therefore future depreciation charges may be revised.

The carrying value of Bank's fixed assets is disclosed in Note 18.

g. Impairment of non-financial assets

Bank Mandiri and its subsidiaries assess impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value of non-financial assets cannot be recovered. Important factors that could cause impairment of non-financial assets are as follows:

- a) Performance is not achieved significantly against expectations of historical or projected operating results in the future;
- b) A significant change in the way the use of the asset or the overall business strategy; and
- c) Industry or economic trends are significantly negative.

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3. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

g. Impairment of non-financial assets (continued)

Management of the Bank and its Subsidiaries recognize an impairment loss if the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher value between the fair value minus costs of disposal with the use value of the asset (or cash-generating unit). Recoverable amount is estimated for individual assets or, if not possible, for the cash-generating unit in which the asset forming part of the unit.

h. Revaluations of land

The group engaged independent valuation specialists to assess fair value for revalued land. Lands were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as location and condition of land.

Significant accounting judgements

Accounting judgements that are important in applying accounting policies of the Bank and its Subsidiaries include:

a. Going Concern

The Management of the Bank and its Subsidiaries has assessed the ability of the Bank and its Subsidiaries to continue its business and believes that the Bank and Subsidiaries have the resources to continue their business in the future. In addition, management is not aware of any material uncertainties that may cause significant doubt on the ability of the Bank and Subsidiaries to maintain its viability. Therefore, the consolidated financial statements have been prepared on the basis of a going concern.

b. Classification of financial assets and liabilities

Management of the Bank and its Subsidiaries determined the classification of certain assets and liabilities as financial assets and financial liabilities by considering whether the definitions set SFAS No. 55 (Revised 2014) have been met. Accordingly, financial assets and financial liabilities are recognised in accordance with the accounting policy of the Bank and its Subsidiaries as disclosed in Note 2.c.E.

4. CURRENT ACCOUNTS WITH BANK INDONESIA

	December 31, 2016	December 31, 2015
Rupiah	41,014,055	44,557,520
United States Dollar (Note 61B.(v))	11,470,919	11,756,796
	52,484,974	56,314,316

As of December 31, 2016 and 2015, the Bank's Minimum Statutory Reserve complies with Bank Indonesia (BI) Regulation No. 15/15/PBI/2013 regarding Minimum Statutory Reserve of Commercial Banks in Rupiah and Foreign Currencies which has been amended with No. 18/3/PBI/2016 dated March 10, 2016 and No. 18/14/PBI/2016 dated August 18, 2016, which are as follows:

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4. CURRENT ACCOUNTS WITH BANK INDONESIA (continued)

	December 31, 2016	December 31, 2015
Rupiah		
- Primary Minimum Statutory Reserve	6.50%	7.50%
- Secondary Minimum Statutory Reserve	4.00%	4.00%
Foreign Currencies	8.00%	8.00%

Primary Minimum Statutory Reserve is a minimum reserve that should be maintained by the Bank in the form of Current Accounts with Bank Indonesia. Secondary Minimum Statutory Reserve is the minimum reserves that should be maintained by the Bank, comprises of Certificates of Bank Indonesia (SBI), Certificate of Bank Indonesia Deposit (SDBI), Treasury Bills and/or Excess Reserve, which is determined by Bank Indonesia. Minimum Statutory Reserve on Loan to Funding Ratio (LFR) is the Minimum Statutory Reserve that should be maintained by the Bank in the form of Current Account with Bank Indonesia for a certain percentage of third party fund calculated based on the difference between the Bank's LFR and the targeted LFR. GWM LFR is imposed if the Bank's LFR is below the minimum of LFR targeted by Bank Indonesia (80%) (December 31, 2015: 78%) and if the Bank's LFR is above the maximum of LFR targeted by Bank Indonesia (92%) given that the Capital Adequacy Ratio is below BI requirement of 14%.

LFR is a ratio of loan to third parties issued by the bank in Rupiah and foreign currency, not include loan to other banks, towards:

- a. Third Party Funds that includes current accounts, saving accounts, and time deposits in Rupiah and foreign currencies, excluding interbank funds; and
- b. Marketable securities in Rupiah and foreign currencies that meet certain requirements issued by the Bank for obtaining capital.

Based on Bank Indonesia (BI) Regulation No. 17/11/PBI/2015 dated June 25, 2015, the citation of Loan to Deposit Ratio (LDR) on Bank Indonesia (BI) Regulation No.15/15/PBI/2013 has been changed into Loan to Funding Ratio (LFR) since August 3, 2015 and calculation of Minimum Statutory Reserve of LFR has become effective since August 3, 2015.

Excess Reserve is an excess Bank's balance of the Rupiah Account of Primary Minimum Statutory Reserve and Minimum Statutory Reserve on Loan to Funding Ratio that should be maintained in Bank Indonesia.

As of December 31, 2016 and 2015 the Bank has fulfilled all the requirements mentioned above. The ratio of the Minimum Statutory Reserve requirement (Bank Mandiri only) for its Rupiah and foreign currencies accounts as of December 31, 2016 and 2015, are as follows:

	December 31, 2016	December 31, 2015
Rupiah		
- Primary Minimum Statutory Reserve	6.50%	7.50%
- Secondary Minimum Statutory Reserve	9.84%	14.35%
- Minimum Statutory Reserve on Loan to Funding Ratio*)	-	-
Foreign currencies	8.12%	8.50%

*) Bank Mandiri's LFR as of December 31, 2016 is between 78.00%-92.00% (December 31, 2015 is between 78%-92%), therefore no GWM LFR was imposed.

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5. CURRENT ACCOUNTS WITH OTHER BANKS

a. By currency, related parties and third parties:

	December 31, 2016	December 31, 2015
Rupiah		
Related parties (Note 55)	25,690	23,070
Third parties	482,680	448,180
Total	<u>508,370</u>	<u>471,250</u>
Foreign currencies		
Related parties (Note 55)	171	1,445
Third parties	9,854,673	9,682,931
Total (Note 61B.(v))	<u>9,854,844</u>	<u>9,684,376</u>
Total	10,363,214	10,155,626
Less: Allowance for impairment losses	(3,049)	(3,412)
Net	<u>10,360,165</u>	<u>10,152,214</u>

Included in foreign currencies are mainly Great Britain Pound Sterling, European Euro, United States Dollar, Japanese Yen, Australian Dollar, Hong Kong Dollar, Chinese Yuan, and Singapore Dollar.

b. By Bank Indonesia's collectibility:

	December 31, 2016	December 31, 2015
Rupiah - Current	<u>508,370</u>	<u>471,250</u>
Foreign currencies		
Current	9,851,849	9,681,195
Loss	2,995	3,181
Total (Note 61B.(v))	<u>9,854,844</u>	<u>9,684,376</u>
Total	10,363,214	10,155,626
Less: Allowance for impairment losses	(3,049)	(3,412)
	<u>10,360,165</u>	<u>10,152,214</u>

c. The average interest rate (yield) per annum:

	December 31, 2016	December 31, 2015
Rupiah	0.01%	0.01%
Foreign currencies	0.07%	0.04%

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5. CURRENT ACCOUNTS WITH OTHER BANKS (continued)

d. Movements of allowance for impairment losses on current accounts with other banks are as follows:

	December 31, 2016	December 31, 2015
Beginning balance	3,412	3,364
Reversal during the year (Note 44)	(176)	(46)
Others*)	(187)	94
Ending balance	3,049	3,412

*) Includes effect of foreign currency translation.

Management believes that the allowance for impairment losses on current accounts with other banks is adequate.

e. Information in respect of classification of “non-impaired” and “impaired” are disclosed in Note 61A.

6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS

a. By type, currency, maturity and Bank Indonesia’s collectibility:

	December 31, 2016			
	Maturity	Current	Loss	Total
Rupiah:				
Bank Indonesia	< 1 month	27,566,169	-	27,566,169
Call money	< 1 month	6,522,000	-	6,522,000
Fixed-term placement	< 1 month	100,000	-	100,000
	≥ 1 month ≤ 3 months	70,000	-	70,000
Time deposit	< 1 month	2,183,958	-	2,183,958
	≥ 1 month ≤ 3 months	1,228,915	-	1,228,915
	> 3 months ≤ 6 months	409,632	-	409,632
	> 6 months ≤ 12 months	76,500	-	76,500
Saving	no maturity	311	-	311
Total		38,157,485	-	38,157,485
Foreign currencies:				
Bank Indonesia	< 1 month	31,660,375	-	31,660,375
Call money	< 1 month	2,777,111	-	2,777,111
	≥ 1 month ≤ 3 months	593	-	593
	> 12 months	-	42,426	42,426
Fixed-term placement	< 1 month	587,401	-	587,401
	≥ 1 month ≤ 3 months	221,153	-	221,153
	> 3 months ≤ 6 months	123,004	-	123,004
	> 12 months	-	977	977
Time deposit	< 1 month	117,618	-	117,618
	≥ 1 month ≤ 3 months	12,092	-	12,092
	> 3 months ≤ 6 months	-	-	-
Total (Note 61B.(v))		35,499,347	43,403	35,542,750
				73,700,235
Less: Allowance for impairment losses				(83,308)
Net				73,616,927

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6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)

a. By type, currency, maturity and Bank Indonesia's collectability (continued):

December 31, 2015				
	Maturity	Current	Loss	Total
Rupiah:				
Bank Indonesia	< 1 month	5,909,168	-	5,909,168
Call money	< 1 month	1,110,000	-	1,110,000
	≥ 1 month ≤ 3 months	100,000	-	100,000
Time deposit	< 1 month	2,191,281	-	2,191,281
	≥ 1 month ≤ 3 months	1,481,832	-	1,481,832
	≥ 3 months ≤ 6 months	725,358	-	725,358
	≥ 6 months ≤ 12 months	42,500	-	42,500
Saving	no maturity	486	-	486
Total		11,560,625	-	11,560,625
Foreign currencies:				
Bank Indonesia	< 1 month	20,539,650	-	20,539,650
	≥ 1 month ≤ 3 months	689,250	-	689,250
Call money	< 1 month	2,615,015	-	2,615,015
	≥ 1 month ≤ 3 months	68,925	-	68,925
	> 12 months	-	45,063	45,063
Fixed-term placement	< 1 month	1,090,184	-	1,090,184
	≥ 1 month ≤ 3 months	308,780	-	308,780
	> 3 months ≤ 6 months	125,857	-	125,857
	> 12 months	-	1,038	1,038
Time deposit	< 1 month	88,385	-	88,385
	≥ 1 month ≤ 3 months	27,590	-	27,590
Others	> 6 months ≤ 12 months	75,656	-	75,656
	> 12 months	151,605	-	151,605
Total (Note 61B.(v))		25,780,897	46,101	25,826,998
				37,387,623
Less: Allowance for impairment losses				(66,760)
Net				37,320,863

b. By related parties and third parties:

	December 31, 2016	December 31, 2015
Rupiah:		
Related parties (Note 55)	1,197,075	1,572,113
Third parties	36,960,410	9,988,512
Total	38,157,485	11,560,625
Foreign currencies:		
Related parties (Note 55)	528,496	419,165
Third parties	35,014,254	25,407,833
Total (Note 61B.(v))	35,542,750	25,826,998
	73,700,235	37,387,623
Less: Allowance for impairment losses	(83,308)	(66,760)
	73,616,927	37,320,863

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6. PLACEMENTS WITH BANK INDONESIA AND OTHER BANKS (continued)

c. Average interest rate (yield) per annum:

	December 31, 2016	December 31, 2015
Rupiah	2.53%	3.79%
Foreign currencies	0.48%	0.17%

d. As of December 31, 2016, there was no placement in other banks which had been pledged as collateral (December 31, 2015: USD5,488,263 and USD10,997,811) (Notes 36c).

e. Movements of allowance for impairment losses on placements with other banks:

	December 31, 2016	December 31, 2015
Beginning balance	66,760	95,147
Allowance during the year (Note 44)	21,415	(26,256)
Others*)	(4,867)	(2,131)
Balance at end of year	83,308	66,760

*) Includes effect of foreign currency translation.

Management believes that the allowance for impairment losses on placements with Bank Indonesia and other banks is adequate.

Bank Mandiri has a placement with a financial institution (in liquidation), which has been classified as loss or "impaired". Bank Mandiri's claims that have been approved by the Trustee based on the creditors meeting on November 5, 2009 amounted to EUR16,395,092 (full amount) for the placement. On March 10, 2010, November 24, 2010, September 6, 2012 and January 23, 2014 the Trustee has paid a portion of the claims (interim distribution) to Bank Mandiri, after a set-off with the balance of demand deposit, inter-bank call money and L/C UPAS payable of the Subsidiary to the financial institution. The balances of Bank Mandiri's placement with the financial institution (in liquidation) as of December 31, 2016 and 2015 were EUR3,061,829 (full amount), respectively. As of December 31, 2016 and 2015, Bank Mandiri has established full reserve for impairment losses on the remaining outstanding balance of placement with the financial institution.

f. Information in respect of classification of "non-impaired" and "impaired" is disclosed in Note 61A.

7. MARKETABLE SECURITIES

a. By purpose, related parties and third parties:

	December 31, 2016	December 31, 2015
<u>Marketable securities</u>		
Related parties (Note 55):		
Fair value through profit or loss	2,044,697	1,670,013
Available for sale	7,807,931	8,826,132
Held to maturity	1,920,506	1,013,537
At cost*)	392,044	411,507
	12,165,178	11,921,189

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7. MARKETABLE SECURITIES (continued)

a. By purpose, related parties and third parties (continued):

	December 31, 2016	December 31, 2015
Third parties:		
Fair value through profit or loss	2,708,846	1,751,959
Available for sale	14,503,106	8,850,569
Held to maturity	9,348,361	6,299,438
At cost*)	246,146	308,201
	<u>26,806,459</u>	<u>17,210,167</u>
<u>Investments in unit-link contracts **)</u>		
Related parties (Note 55):		
Fair value through profit or loss	6,406,370	4,595,215
Third parties:		
Fair value through profit or loss	11,444,472	10,576,964
Total	56,822,479	44,303,535
Less:		
Unamortised discounts	(5,429)	(1,984)
Unrealised loss on decrease in fair value of marketable securities	(26,463)	(350,818)
Allowance for impairment losses	(238,944)	(309,169)
	<u>(270,836)</u>	<u>(661,971)</u>
	<u>56,551,643</u>	<u>43,641,564</u>

*) Marketable securities owned by Subsidiary,

**) Investments in unit-link contracts are investments owned by policyholders unit-link contracts of Subsidiary's PT Axa Mandiri Financial Services which are presented at fair value.

b. By type, currency and Bank Indonesia's collectability:

	December 31, 2016						
	Cost/ nominal value/ fair value*)	Unamortised premiums/ (discounts)	Unrealised gains/ (losses)	Fair value/at cost/amortised cost **)			
				Current	Substandard	Loss	Total
Rupiah:							
Fair value through profit or loss							
<u>Marketable securities</u>							
Bonds	1,878,559	-	13,724	1,892,283	-	-	1,892,283
Investments in mutual fund units	1,017,069	-	2,332	1,019,401	-	-	1,019,401
Certificates of Bank Indonesia	971,669	-	2,462	974,131	-	-	974,131
Shares	5,558	-	63	5,621	-	-	5,621
	<u>3,872,855</u>	<u>-</u>	<u>18,581</u>	<u>3,891,436</u>	<u>-</u>	<u>-</u>	<u>3,891,436</u>
<u>Investments in unit-link contracts *)</u>							
Shares	17,658,330	-	-	17,658,330	-	-	17,658,330
Investments in mutual fund units	178,821	-	-	178,821	-	-	178,821
Bonds	13,691	-	-	13,691	-	-	13,691
	<u>17,850,842</u>	<u>-</u>	<u>-</u>	<u>17,850,842</u>	<u>-</u>	<u>-</u>	<u>17,850,842</u>
	<u>21,723,697</u>	<u>-</u>	<u>18,581</u>	<u>21,742,278</u>	<u>-</u>	<u>-</u>	<u>21,742,278</u>

*) Held to maturity securities are presented at nominal value. Investments in unit-link contracts are investments owned by policyholders of Subsidiary's unit-link contracts which are presented at fair value.

**) Held to maturity securities are presented at amortised cost.

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7. MARKETABLE SECURITIES (continued)

b. By type, currency and Bank Indonesia's collectability (continued):

	December 31, 2016						
	Cost/ nominal value/ fair value*)	Unamortised premiums/ (discounts)	Unrealised gains/ (losses)	Fair value/at cost/amortised cost **)			
				Current	Substandard	Loss	Total
Available for sale							
Investments in mutual fund units	9,002,000	-	52,896	9,054,896	-	-	9,054,896
Bonds	3,447,793	-	(7,683)	3,440,110	-	-	3,440,110
Negotiable Certificate of Deposit	452,394	-	(408)	451,986	-	-	451,986
Medium term notes	499,000	-	-	499,000	-	-	499,000
Certificates of Bank Indonesia	190,330	-	-	190,330	-	-	190,330
	<u>13,591,517</u>	<u>-</u>	<u>44,805</u>	<u>13,636,322</u>	<u>-</u>	<u>-</u>	<u>13,636,322</u>
Held to maturity							
Bonds	2,743,959	-	-	2,743,959	-	-	2,743,959
Certificates of Bank Indonesia	5,250,000	(3,241)	-	5,246,759	-	-	5,246,759
Medium term notes	800,000	(515)	-	799,485	-	-	799,485
Export bills	640,454	-	-	640,262	-	192	640,454
Investment in the mutual fund units	245,000	-	-	245,000	-	-	245,000
	<u>9,679,413</u>	<u>(3,756)</u>	<u>-</u>	<u>9,675,465</u>	<u>-</u>	<u>192</u>	<u>9,675,657</u>
At cost***)							
Sharia Corporate bonds	544,000	-	-	407,000	-	137,000	544,000
Export bills	94,190	-	-	94,190	-	-	94,190
	<u>638,190</u>	<u>-</u>	<u>-</u>	<u>501,190</u>	<u>-</u>	<u>137,000</u>	<u>638,190</u>
Total	<u>45,632,817</u>	<u>(3,756)</u>	<u>63,386</u>	<u>45,555,255</u>	<u>-</u>	<u>137,192</u>	<u>45,692,447</u>
Foreign currencies:							
Fair value through profit or loss							
Treasury bills	666,808	-	237	667,045	-	-	667,045
Certificates of Bank Indonesia	213,880	-	606	214,486	-	-	214,486
	<u>880,688</u>	<u>-</u>	<u>843</u>	<u>881,531</u>	<u>-</u>	<u>-</u>	<u>881,531</u>
Available for sale							
Bonds	4,979,168	-	(83,738)	4,895,430	-	-	4,895,430
Treasury bills	874,106	-	(6,263)	867,843	-	-	867,843
Certificates of Bank Indonesia	2,866,246	-	(691)	2,865,555	-	-	2,865,555
	<u>8,719,520</u>	<u>-</u>	<u>(90,692)</u>	<u>8,628,828</u>	<u>-</u>	<u>-</u>	<u>8,628,828</u>
Held to maturity							
Bonds	242,505	(1,673)	-	240,832	-	-	240,832
Export bills	1,346,949	-	-	1,335,455	-	11,494	1,346,949
	<u>1,589,454</u>	<u>(1,673)</u>	<u>-</u>	<u>1,576,287</u>	<u>-</u>	<u>11,494</u>	<u>1,587,781</u>
Total (Note 61B.(v))	<u>11,189,662</u>	<u>(1,673)</u>	<u>(89,849)</u>	<u>11,086,646</u>	<u>-</u>	<u>11,494</u>	<u>11,098,140</u>
	<u>56,822,479</u>	<u>(5,429)</u>	<u>(26,463)</u>	<u>56,641,901</u>	<u>-</u>	<u>148,686</u>	<u>56,790,587</u>
Less: Allowance for impairment losses							(238,944)
Net							<u>56,551,643</u>

*) Held to maturity securities are presented at nominal value. Investments in unit-link contracts are investments owned by policyholders of Subsidiary's unit-link contracts which are presented at fair value.

**) Held to maturity securities are presented at amortised cost.

***) Marketable securities owned by Subsidiary.

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7. MARKETABLE SECURITIES (continued)

b. By type, currency and Bank Indonesia's collectibility (continued):

	December 31, 2015						
	Cost/ nominal value/ fair value*)	Unamortised premiums/ (discounts)	Unrealised gains/ (losses)	Fair value/at cost/amortised cost **)			
				Current	Substandard	Loss	Total
Rupiah:							
Fair value through profit or loss							
<u>Marketable securities</u>							
Bonds	1,707,505	-	11,661	1,719,166	-	-	1,719,166
Investments in mutual fund units	868,552	-	5,425	873,977	-	-	873,977
Certificates of Bank Indonesia	581,325	-	10,044	591,369	-	-	591,369
Shares	27,644	-	(35)	27,609	-	-	27,609
	<u>3,185,026</u>	<u>-</u>	<u>27,095</u>	<u>3,212,121</u>	<u>-</u>	<u>-</u>	<u>3,212,121</u>
<u>Investments in unit-link contracts *)</u>							
Shares	14,962,203	-	-	14,962,203	-	-	14,962,203
Investments in mutual fund units	173,462	-	-	173,462	-	-	173,462
Bonds	36,514	-	-	36,514	-	-	36,514
	<u>15,172,179</u>	<u>-</u>	<u>-</u>	<u>15,172,179</u>	<u>-</u>	<u>-</u>	<u>15,172,179</u>
	<u>18,357,205</u>	<u>-</u>	<u>27,095</u>	<u>18,384,300</u>	<u>-</u>	<u>-</u>	<u>18,384,300</u>
Available for sale							
Investments in mutual fund units	6,300,000	-	43,036	6,343,036	-	-	6,343,036
Bonds	3,085,863	-	(24,808)	3,061,055	-	-	3,061,055
Negotiable Certificate of Deposit	610,599	-	(1,502)	609,097	-	-	609,097
Medium term notes	317,500	-	-	317,500	-	-	317,500
Certificate of Bank Indonesia	48,351	-	-	48,351	-	-	48,351
	<u>10,362,313</u>	<u>-</u>	<u>16,726</u>	<u>10,379,039</u>	<u>-</u>	<u>-</u>	<u>10,379,039</u>
Held to maturity							
Bonds	2,217,000	-	-	2,130,000	-	87,000	2,217,000
Certificates of Bank Indonesia	1,955,000	(773)	-	1,954,227	-	-	1,954,227
Medium term notes	1,150,000	(1,217)	-	1,148,783	-	-	1,148,783
Export bills	740,285	-	-	740,285	-	-	740,285
	<u>6,062,285</u>	<u>(1,990)</u>	<u>-</u>	<u>5,973,295</u>	<u>-</u>	<u>87,000</u>	<u>6,060,295</u>
At cost***)							
Sharia Corporate bonds	515,000	6	-	378,006	-	137,000	515,006
Export bills	204,501	-	-	204,501	-	-	204,501
	<u>719,501</u>	<u>6</u>	<u>-</u>	<u>582,507</u>	<u>-</u>	<u>137,000</u>	<u>719,507</u>
Total	<u>35,501,304</u>	<u>(1,984)</u>	<u>43,821</u>	<u>35,319,141</u>	<u>-</u>	<u>224,000</u>	<u>35,543,141</u>
Foreign currencies:							
Fair value through profit or loss							
Treasury bills	236,946	-	303	237,249	-	-	237,249
Available for sale							
Bonds	6,414,494	-	(393,804)	6,020,690	-	-	6,020,690
Treasury bills	899,894	-	(1,138)	898,756	-	-	898,756
	<u>7,314,388</u>	<u>-</u>	<u>(394,942)</u>	<u>6,919,446</u>	<u>-</u>	<u>-</u>	<u>6,919,446</u>
Held to maturity							
Export bills	1,250,690	-	-	1,250,690	-	-	1,250,690
At cost***)							
Export bills	207	-	-	207	-	-	207
Total (Note 61B.(v))	<u>8,802,231</u>	<u>-</u>	<u>(394,639)</u>	<u>8,407,592</u>	<u>-</u>	<u>-</u>	<u>8,407,592</u>
	<u>44,303,535</u>	<u>(1,984)</u>	<u>(350,818)</u>	<u>43,726,733</u>	<u>-</u>	<u>224,000</u>	<u>43,950,733</u>
Less: Allowance for impairment losses							(309,169)
Net							<u>43,641,564</u>

*) Held to maturity securities are presented at nominal value. Investments in unit-link contracts are investments owned by policyholders of Subsidiary's unit-link contracts which are presented at fair value.
 **) Held to maturity securities are presented at amortised cost.
 ***) Marketable securities owned by Subsidiary.

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7. MARKETABLE SECURITIES (continued)

c. By remaining period to maturity:

	December 31, 2016	December 31, 2015
<u>Marketable securities</u>		
Rupiah:		
No maturity date	2,069,627	1,883,196
≤ 1 year	12,714,475	6,281,973
> 1 ≤ 5 years	12,205,873	11,763,956
> 5 < 10 years	292,000	400,000
> 10 tahun	500,000	-
Total	<u>27,781,975</u>	<u>20,329,125</u>
Foreign currencies:		
≤ 1 year	6,084,373	2,532,755
> 1 ≤ 5 years	1,396,241	1,414,964
> 5 < 10 years	3,709,048	4,854,512
Total	<u>11,189,662</u>	<u>8,802,231</u>
<u>Investments in unit-link *</u>		
Rupiah:		
No maturity date	17,837,151	15,135,665
≤ 1 year	13,691	12,668
≥ 1 ≤ 5 years	-	23,846
Total	<u>17,850,842</u>	<u>15,172,179</u>
	<u>56,822,479</u>	<u>44,303,535</u>
Less:		
Unamortised discounts	(5,429)	(1,984)
Unrealised loss on decrease in fair value of securities	(26,463)	(350,818)
Allowance for impairment losses	(238,944)	(309,169)
	<u>(270,836)</u>	<u>(661,971)</u>
	<u>56,551,643</u>	<u>43,641,564</u>

*) Investments in unit-link contracts are investments owned by policyholders of Subsidiary's unit-link contracts, which are presented at fair value.

d. By issuer:

	December 31, 2016	December 31, 2015
<u>Marketable securities</u>		
Corporate	22,085,455	19,813,436
Central Bank	9,640,796	2,807,843
Banks	4,430,309	4,171,897
Government	2,815,077	2,338,180
	<u>38,971,637</u>	<u>29,131,356</u>

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7. MARKETABLE SECURITIES (continued)

d. By issuer (continued):

	December 31, 2016	December 31, 2015
<u>Investments in unit-link contracts *)</u>		
Bank	4,448,743	3,966,025
Corporate	13,402,099	11,206,154
	<u>17,850,842</u>	<u>15,172,179</u>
Total	56,822,479	44,303,535
Less:		
Unamortised discounts	(5,429)	(1,984)
Unrealised loss on decrease in fair value of securities	(26,463)	(350,818)
Allowance for impairment losses	(238,944)	(309,169)
	<u>(270,836)</u>	<u>(661,971)</u>
Net	<u>56,551,643</u>	<u>43,641,564</u>

*) Investments in unit-link contracts are investments owned by policyholders of Subsidiary's unit-link contracts which are presented at fair value.

e. Details of bonds by rating:

	Rating Agencies	Rating*)		Fair value/At cost/Amortised cost	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Rupiah					
Fair value through profit or loss					
<u>Marketable securities</u>					
Bonds					
Pemerintah Republik Indonesia**)	-	-	-	1,437,182	1,437,312
Lembaga Pembiayaan Ekspor Indonesia	Pefindo	idAAA	-	133,292	-
PT Federal International Finance	Pefindo	idAAA	idAAA	25,209	14,946
PT Adira Dinamika Multifinance Tbk.	Pefindo	idAAA	idAAA	20,452	34,255
PT Sarana Multigriya Finansial (Persero)	Pefindo	idAA+	idAA+	19,387	45,000
PT Bank OCBC NISP Tbk.	Pefindo	idAAA	idAAA	4,909	9,977
PT Bank Maybank Indonesia Tbk.	Pefindo	-	idAAA	-	10,942
Others	Various	Various	Various	251,852	166,734
				<u>1,892,283</u>	<u>1,719,166</u>

*) Information on rating of bonds were obtained from Bloomberg, which is based on ratings issued by the rating agencies, such as Pemingkat Efek Indonesia (Pefindo), Standard and Poor's and Moody's and Fitch Ratings.

***) Has no rating.

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7. MARKETABLE SECURITIES (continued)

e. Details of bonds by rating (continued):

	Rating Agencies	Rating*)		Fair value/At cost/Amortised cost	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Rupiah (continued)					
Fair value through profit or loss (continued)					
<u>Investments in unit-link (***)</u>					
PT Astra Sedaya Finance	Pefindo	idAAA	-	1,969	-
PT AKR Corporindo Tbk	Pefindo	-	idAA-	-	20,418
PT Adira Dinamika Multi Finance Tbk.	Pefindo	-	idAAA	-	2,001
PT Toyota Astra Financial Services	Pefindo	-	idAA+	-	1,929
Others	Various	Various	Various	11,722	12,166
				13,691	36,514
				1,905,974	1,755,680
Available for sale					
<u>Marketable securities</u>					
<u>Bonds</u>					
PT Indofood Sukses Makmur Tbk.	Pefindo	idAA+	idAA+	360,905	349,725
PT Sarana Multigriya Finansial (Persero)	Pefindo	idAA+	idAA+	295,093	292,627
PT Telekomunikasi Indonesia Tbk	Pefindo	idAAA	idAAA	266,102	255,484
PT Astra Sedaya Finance	Pefindo	idAAA	idAAA	229,000	251,930
PT Jasa Marga (Persero) Tbk.	Pefindo	idAA	idAA	157,713	204,795
PT Bank OCBC NISPTbk.	Pefindo	idAAA	idAAA	126,713	157,550
PT Medco Energi Internasional Tbk.	Pefindo	idA+	idA+	70,000	68,075
PT Bank Maybank Indonesia Tbk.	Pefindo	idAAA	idAAA	25,020	24,450
PT Panorama Sentrawisata Tbk.	Pefindo	-	idA-	-	49,546
PT Pembangunan Jaya Ancol Tbk.	Pefindo	-	idAA-	-	9,586
Others	Various	Various	Various	1,909,564	1,397,287
				3,440,110	3,061,055
Held to maturity					
<u>Marketable securities</u>					
<u>Bonds</u>					
PT Tunas Baru Lampung Tbk.	Pefindo	idA-	idA	500,000	500,000
PT Surya Artha Nusantara Finance	Pefindo	idAA-	idAA-	600,000	600,000
PT Medco Energi International Tbk.	Pefindo	idA+	idA+	223,000	223,000
PT Mayora Indah Tbk	Pefindo	idAA-	idAA-	74,000	74,000
PT Indosat Tbk	Pefindo	idAAA	idAAA	36,000	36,000
Others	Various	Various	Various	1,310,959	784,000
				2,743,959	2,217,000
At cost**)					
<u>Marketable securities</u>					
<u>Sharia Corporate Bonds</u>					
PT Perusahaan Listrik Negara(Persero)	Pefindo	idAAA	idAAA	265,000	265,000
PT Berlian Laju Tanker Tbk.	Pefindo	idD	idD	87,000	87,000
Others	Various	Various	Various	192,000	163,006
				544,000	515,006
Total				8,634,043	7,548,741

*) Information on rating of bonds were obtained from Bloomberg, which is based on ratings issued by the rating agencies, such as Pemeringkat Efek Indonesia (Pefindo), Standard and Poor's and Moody's and Fitch Ratings.

***) Investments in unit-link contracts are investments owned by Subsidiary.

****) Investments in unit-link contracts are investments own by policyholder of Subsidiary's unit link unit contracts which are presented at fair value.

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7. MARKETABLE SECURITIES (continued)

e. Details of bonds by rating (continued):

	Rating Agencies	Rating*)		Fair value/At cost/Amortised cost	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Foreign currencies					
Available for sale					
<u>Marketable securities</u>					
Bonds					
PT Pertamina (Persero)	Moody's	Baa3	Baa3	3,523,022	4,217,700
PT Perusahaan Listrik Negara (Persero)	Pefindo	idAAA	idAAA	719,270	1,049,993
PT Bank Negara Indonesia (Persero) Tbk.	Moody's	Baa3	Baa3	283,630	292,018
PT Perusahaan Gas Negara (Persero) Tbk.	Moody's	Baa3	Baa3	137,857	132,751
PT Bank Rakyat Indonesia (Persero) Tbk.	Moody's	Baa3	Baa3	121,253	122,204
PT Pelindo (Persero)	Moody's	-	Baa3	-	73,320
Others	Various	Various	-	110,398	132,704
				4,895,430	6,020,690
Held to maturity					
<u>Marketable securities</u>					
Bonds					
PT Pelindo (Persero)	Moody's	Baa3	-	64,536	-
PT Soechi Lines Tbk	Moody's	Baa3	-	134,725	-
PT Pertamina (Persero)	Moody's	Baa3	-	41,571	-
				240,832	-
Total				5,136,262	6,020,690

*) Information on rating of bonds were obtained from Bloomberg, which is based on ratings issued by the rating agencies, such as Pemeringkat Efek Indonesia (Pefindo), Standard and Poor's and Moody's and Fitch Ratings.

f. Average interest rate (yield) per annum:

	December 31, 2016	December 31, 2015
Rupiah	7.62%	7.85%
Foreign currencies	3.74%	3.88%

g. Movements of allowance for impairment losses on marketable securities:

	December 31, 2016	December 31, 2015
Beginning balance	309,169	301,779
Allowance during the year (Note 44)	24,094	34,394
Write-offs	(87,000)	-
Others*)	(7,319)	(27,004)
Balance at end of year	238,944	309,169

*) Includes effect of foreign exchange translation.

Management believes that the allowance for impairment losses on marketable securities is adequate.

h. Information in respect of classification of "non-impaired" and "impaired" is disclosed in Note 61A.

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7. MARKETABLE SECURITIES (continued)

- i. Investment in mutual fund of the Bank are classified as available for sale:

	December 31, 2016	December 31, 2015
Protected Mutual Fund BNP Paribas Selaras IV	2,512,630	2,513,844
Protected Mutual Fund Schroder IDR Income Plan I	1,004,978	1,005,484
Protected Mutual Fund Manulife Dana Utama	1,000,420	-
Protected Mutual Fund Emco VII	904,873	905,628
Protected Mutual Fund Trimegah I	656,200	-
Protected Mutual Fund Schroder IDR Income Plan II	655,976	-
Protected Mutual Fund Emco VIII	602,935	603,764
Protected Mutual Fund Emco	412,767	412,883
Protected Mutual Fund Trimegah II	196,118	-
Protected Mutual Fund Sucorinvest Protection 23	196,079	-
	8,142,976	5,441,603

- j. As of December 31, 2016, marketable securities with total nominal amount of RpNil (December 31, 2015: Rp500,000) were sold under repurchase agreements (Note 28).
- k. As of December 31, 2016, marketable securities with total nominal amount of USD65,000,000 (full amount) (December 31, 2015: Rp65,000,000 (full amount)) had been pledged as collateral for funds borrowing from other banks (Note 36c).
- l. On October 2016, there was a buy-back of Medium Term Notes of PT Berlina Tbk. at par value by the issuer.

8. GOVERNMENT BONDS

This account consists of bonds issued by Government of the Republic of Indonesia which are obtained by the Group from primary and secondary markets as of December 31, 2016 and 2015, with details as follows:

	December 31, 2016	December 31, 2015
Related party (Note 55)		
<u>Government bonds</u>		
Fair value through profit or loss	1,191,310	1,583,907
Available for sale***)	80,334,549	74,153,603
Held to maturity	11,142,896	20,811,293
At cost*)	5,027,262	6,054,722
<u>Investments in unit-link contracts **)</u>		
Fair value through profit or loss	1,237,261	1,265,836
	98,933,278	103,869,361

*) Government bonds owned by Subsidiary.

**) Investments in unit-link contracts are investments owned by policyholders of Subsidiary's unit-link contracts which are presented at fair value.

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

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8. GOVERNMENT BONDS (continued)

a. By maturity

The government bonds, by remaining period of maturity, are as follows:

	December 31, 2016	December 31, 2015
Rupiah		
Fair value through profit or loss		
<u>Government bonds</u>		
Less than 1 year	18,914	621,972
1 - 5 years	242,405	384,211
5 - 10 years	615,527	407,901
Over 10 years	299,932	137,447
	1,176,778	1,551,531
<u>Investments in unit-link **)</u>		
Less than 1 year	189,725	210,782
1 - 5 years	122,176	44,968
5 - 10 years	393,688	525,698
Over 10 years	531,672	484,388
	1,237,261	1,265,836
	2,414,039	2,817,367
Available for sale***)		
Less than 1 year	1,482,131	2,576,119
1 - 5 years	45,568,301	43,744,002
5 - 10 years	5,885,572	3,097,608
Over 10 years	4,297,009	514,063
	57,233,013	49,931,792
Held to maturity		
Less than 1 year	9,357,392	10,897,849
1 - 5 years	82,625	9,439,045
5 - 10 years	59,405	50,272
Over 10 years	319,712	148,349
	9,819,134	20,535,515
At cost**)		
Less than 1 year	122,659	2,890,495
1 - 5 years	4,761,487	3,013,879
	4,884,146	5,904,374
Total	74,350,332	79,189,048

*) Government bonds owned by Subsidiary.

**) Investments in unit-link contracts are investments owned by policyholders of Subsidiary's unit-link contracts which are presented at fair value.

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

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8. GOVERNMENT BONDS (continued)

a. By maturity (continued)

The government bonds, by remaining period of maturity, are as follows (continued):

	December 31, 2016	December 31, 2015
Foreign currency		
Fair value through profit or loss		
1 - 5 years	5,461	-
5 - 10 years	3,687	4,454
Over 10 years	5,384	27,922
	14,532	32,376
Available for sale		
Less than 1 year	6,379,279	896,439
1 - 5 years	8,062,070	14,656,555
5 - 10 Years	8,241,438	8,166,190
Over 10 years	418,749	502,627
	23,101,536	24,221,811
Held to maturity		
Less than 1 year	26,922	193,320
1 - 5 years	71,160	27,566
5 - 10 years	1,225,680	54,892
	1,323,762	275,778
At cost**)		
1 - 5 years	143,116	150,348
Total (Note 61B.(v))	24,582,946	24,680,313
	98,933,278	103,869,361

*) Government bonds owned by Subsidiary.

b. By type

	December 31, 2016				
	Nominal/ cost/ amortised cost	Interest rates per annum	Fair value	Maturity dates	Frequency of interest payment
Rupiah					
Fair value through profit or loss					
Government bonds					
Fixed rate bonds	<u>1,139,461</u>	5.25%-12.90%	<u>1,176,778</u>	15/03/2017 - 15/02/2044	1 and 6 months
Investments in unit-link contracts **)					
Fixed rate bonds	<u>1,237,261</u>	6.25%-11.00%	<u>1,237,261</u>	06/01/2017 - 15/05/2036	1 and 6 months

**) Investments in unit-link contracts are investments owned by policyholders of Subsidiary's unit-link contracts which are presented at fair value.

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8. GOVERNMENT BONDS (continued)

b. By type (continued)

December 31, 2016					
	Nominal/ cost/ amortised cost	Interest rates per annum	Fair value	Maturity dates	Frequency of interest payment
Rupiah (continued)					
Available for sale***)					
Fixed rate bonds	25,773,223	5.25%-12.90%	26,288,246	15/10/2017 - 15/02/2044	1 and 6 months
Variable rate bonds	31,276,192	SPN 3 months	30,944,767	25/09/2017 - 25/07/2020	3 months
	<u>57,049,415</u>		<u>57,233,013</u>		
December 31, 2016					
	Nominal/ cost/ amortised cost	Interest rates per annum	Maturity dates	Frequency of interest payment	
Rupiah					
Held to maturity					
Fixed rate bonds	463,436	5.63%-11.75%	15/07/2017 - 15/05/2037	6 months	
Variable rate bonds	9,355,698	SPN 3 months	25/02/2017	3 months	
	<u>9,819,134</u>				
At cost*)					
Fixed rate bonds	4,884,146	6.25%-8.75%	27/01/2017 - 15/09/2020	1 and 6 months	
December 31, 2016					
	Nominal/ cost/ amortised cost	Interest rates per annum	Fair value	Maturity dates	Frequency of interest payment
Foreign Currencies					
Fair value through profit or loss					
Government bonds					
Fixed rate bonds	14,483	3.30% -6.13%	14,532	21/11/2018 - 15/04/2043	6 months
Available for sale					
Fixed rate bonds	22,247,576	2.63%-11.63%	23,101,536	09/03/2017 - 08/01/2027	6 months
December 31, 2016					
	Nominal/ cost/ amortised cost	Interest rates per annum	Maturity dates	Frequency of interest payment	
Foreign Currencies					
Held to maturity					
Fixed rate bonds	1,323,762	3.75% -7.00%	09/03/2017 - 08/01/2026	6 months	
At cost*)					
Fixed rate bonds	143,116	6.13%	15/03/2019	6 months	

*) Government bonds owned by Subsidiary

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

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8. GOVERNMENT BONDS (continued)

b. By type (continued)

December 31, 2015					
	Nominal/ cost/ amortised cost	Interest rates per annum	Fair value	Maturity dates	Frequency of interest payment
Rupiah					
Fair value through profit or loss					
Government bonds					
Fixed rate bonds	<u>1,589,173</u>	5.25%-12.80%	<u>1,551,531</u>	27/02/2016- 15/03/2034	1 and 6 months
Investments in unit-link **)					
Fixed rate bonds	<u>1,265,836</u>	6.00%-11.00%	<u>1,265,836</u>	07/01/2016- 15/05/2036	1 and 6 months
Available for sale					
Fixed rate bonds	14,671,740	5.25%-12.90%	14,375,481	27/02/2016- 15/02/2044	1 and 6 months
Variable rate bonds	<u>36,011,774</u>	SPN 3 months	<u>35,556,311</u>	25/03/2016- 25/07/2020	3 months
	<u>50,683,514</u>		<u>49,931,792</u>		
December 31, 2015					
	Nominal/ cost/ amortised cost	Interest rates per annum	Maturity dates	Frequency of interest payment	
Rupiah					
Held to maturity					
Fixed rate bonds	296,936	8.25%-11.75%	15/05/2016- 15/05/2037	6 months	
Variable rate bonds	<u>20,238,579</u>	SPN 3 months	25/03/2016- 25/09/2017	3 months	
	<u>20,535,515</u>				
At cost*)					
Fixed rate bonds	<u>5,904,374</u>	7.00%-8.75%	15/01/2016- 25/01/2019	1 and 6 months	
December 31, 2015					
	Nominal/ cost/ amortised cost	Interest rates per annum	Fair value	Maturity dates	Frequency of interest payment
Foreign currency					
Fair value through profit or loss					
Government bonds					
Fixed rate bonds	<u>32,856</u>	3.30%-5.25%	<u>32,376</u>	21/11/2022 - 17/01/2042	6 months
Available for sale					
Fixed rate bonds	<u>23,271,954</u>	3.30%-11.63%	<u>24,221,811</u>	15/01/2016- 08/01/2026	6 months

*) Government bonds owned by Subsidiary

**) Investments in unit-link contracts are investments owned by policyholders of Subsidiary's unit-link contracts which are presented at fair value.

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8. GOVERNMENT BONDS (continued)

b. By type (continued)

	December 31, 2015			
	Nominal/ cost/ amortised cost	Interest rates per annum	Maturity dates	Frequency of interest payment
Held to maturity				
Fixed rate bonds	<u>275,778</u>	5.88%-7.50%	15/01/2016- 15/01/2024	6 months
At cost*)				
Fixed rate bonds	<u>150,348</u>	6.13%	15/03/2019	6 months

*) Government bonds owned by Subsidiary

As of December 31, 2016, government bonds with total nominal amount of Rp3,986,742 were sold under repurchase agreements (December 31, 2015: Rp5,072,742) (Note 28).

As of December 31, 2016, government bonds with total nominal amount of Rp3,107,276 and USD597,796,000 (full amount) (December 31, 2015: Rp4,626,109 and USD594,500,000 (full amount)) had been pledged as collateral for fund borrowings from other banks (Note 36b, 36c and 37).

On December 31, 2016 and 2015, Bank Indonesia's collectibility for government bonds are current.

9. OTHER RECEIVABLES - TRADE TRANSACTIONS

a. By type, currency, related parties and third parties:

	December 31, 2016	December 31, 2015
Rupiah:		
Related parties (Note 55)		
Usance L/C payable at sight	799,513	1,682,124
Others	3,474,664	3,236,509
	<u>4,274,177</u>	<u>4,918,633</u>
Third parties		
Usance L/C payable at sight	1,285,395	1,769,163
Others	4,098,043	2,701,587
	<u>5,383,438</u>	<u>4,470,750</u>
Total	<u>9,657,615</u>	<u>9,389,383</u>

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9. OTHER RECEIVABLES - TRADE TRANSACTIONS (continued)

a. By type, currency, related parties and third parties (continued):

	December 31, 2016	December 31, 2015
Foreign currencies:		
Related parties (Note 55)		
Usance L/C payable at sight	1,251,753	1,639,139
Others	408,370	494,003
	<u>1,660,123</u>	<u>2,133,142</u>
Third parties		
Usance L/C payable at sight	1,632,983	1,417,022
Others	2,973,397	1,972,966
	<u>4,606,380</u>	<u>3,389,988</u>
Total (Note 61B.(v))	<u>6,266,503</u>	<u>5,523,130</u>
	15,924,118	14,912,513
Less: Allowance for impairment losses	(1,756,847)	(1,727,747)
Net	<u>14,167,271</u>	<u>13,184,766</u>

b. By Bank Indonesia's collectibility:

	December 31, 2016	December 31, 2015
Current	14,672,747	13,246,935
Special mention	122,541	503,147
Doubtful	-	58,819
Loss	1,128,830	1,103,612
	<u>15,924,118</u>	<u>14,912,513</u>
Total	15,924,118	14,912,513
Less: Allowance for impairment losses	(1,756,847)	(1,727,747)
Net	<u>14,167,271</u>	<u>13,184,766</u>

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9. OTHER RECEIVABLES - TRADE TRANSACTIONS (continued)

c. By maturity:

	December 31, 2016	December 31, 2015
Rupiah:		
Less than 1 month	2,586,373	2,494,602
1 - 3 months	4,144,984	4,148,854
3 - 6 months	2,748,940	2,558,731
6 - 12 months	31,374	41,254
Over 12 months	145,944	145,942
Total	<u>9.657,615</u>	<u>9,389,383</u>
Foreign currencies:		
Less than 1 month	1,211,291	1,664,266
1 - 3 months	2,274,143	1,462,208
3 - 6 months	1.844.232	1,430,991
6 - 12 months	879	317
Over 12 months	935.958	965,348
Total (Note 61B.(v))	<u>6.266.503</u>	<u>5,523,130</u>
	15.924.118	14,912,513
Less: Allowance for impairment losses	<u>(1.756.847)</u>	<u>(1,727,747)</u>
	<u>14.167.271</u>	<u>13,184,766</u>

d. Movements of allowance for impairment losses on other receivables - trade transactions:

	December 31, 2016	December 31, 2015
Beginning balance	1,727,747	1,586,271
Allowance/(reversal) during the year (Note 44)	35,085	(41,428)
Others*)	(5,985)	182,904
Balance at end of year	<u>1,756,847</u>	<u>1,727,747</u>

*) Includes effect of foreign exchange translation.

Management believes that the allowance for impairment losses on other receivables - trade transactions is adequate.

e. Information in respect of classification of "non-impaired" and "impaired" is disclosed in Note 61A.

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10. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

a. Securities purchased under resale agreements

Type of securities	December 31, 2016				
	Starting date	Maturity date	Resale amount	Unamortised interest	Carrying amount
Third parties					
Rupiah					
Obligasi FR0028	28/12/2016	04/01/2017	1,016,047	402	1,015,645
Obligasi ORI013	29/12/2016	06/01/2017	448,730	423	448,307
Obligasi FR0060	28/12/2016	04/01/2017	437,174	173	437,001
Obligasi FR0056	29/12/2016	05/01/2017	297,961	223	297,738
Obligasi FR0066	30/12/2016	06/01/2017	263,928	238	263,690
Obligasi FR0070	29/12/2016	05/01/2017	203,509	152	203,357
Obligasi FR0073	28/12/2016	04/01/2017	200,534	108	200,426
SPN142-110517	28/12/2016	04/01/2017	185,908	74	185,834
SPN144-080617	28/12/2016	04/01/2017	184,957	73	184,884
SBSN	28/12/2016	25/01/2017	180,395	649	179,746
SBSN	28/12/2016	25/01/2017	180,395	649	179,746
SBSN	07/12/2016	04/01/2017	171,686	99	171,587
Obligasi FR0059	19/12/2016	19/01/2017	170,657	594	170,063
SBSN	21/12/2016	18/01/2017	164,415	426	163,989
SBSN	21/12/2016	18/01/2017	164,415	426	163,989
SBSN	07/12/2016	04/01/2017	150,226	86	150,140
Obligasi FR0028	28/12/2016	04/01/2017	147,326	58	147,268
Obligasi FR0053	21/12/2016	05/01/2017	92,791	83	92,708
Obligasi FR0073	28/12/2016	04/01/2017	52,521	28	52,493
Shares	18/11/2016	18/05/2017	53,519	2,705	50,814
SBN	27/12/2016	03/01/2017	48,659	19	48,640
SBN	28/12/2016	04/01/2017	46,772	25	46,747
SPN140-130417	28/12/2016	04/01/2017	46,696	18	46,678
SBN	28/12/2016	11/01/2017	40,303	61	40,242
SBN	30/12/2016	31/03/2017	36,599	505	36,094
Shares	10/11/2016	10/11/2017	29,563	3,970	25,593
Shares	14/11/2016	14/11/2017	29,563	4,017	25,546
Shares	16/11/2016	16/11/2017	29,563	4,040	25,523
Total			5,074,812	20,324	5,054,488

Type of securities	December 31, 2015				
	Starting date	Maturity date	Resale amount	Unamortised interest	Carrying amount
Third parties					
Rupiah					
SBSN	04/12/2015	04/01/2016	185,179	131	185,048
SBSN	11/12/2015	08/01/2016	184,183	261	183,922
Shares	09/07/2015	05/01/2016	64,800	139	64,661
Shares	24/11/2015	25/05/2016	54,067	3,270	50,797
Shares	22/10/2015	22/02/2016	37,033	890	36,143
Shares	23/07/2015	19/01/2016	32,400	263	32,137
Shares	15/12/2015	15/06/2016	27,033	1,861	25,172
Shares	19/11/2015	09/11/2016	28,956	3,963	24,993
Shares	23/11/2015	11/11/2016	28,933	3,984	24,949
Shares	25/11/2015	15/11/2016	28,956	4,033	24,923
Shares	15/10/2015	29/01/2016	13,651	181	13,470
Shares	29/07/2015	25/01/2016	10,800	115	10,685
Total			695,991	19,091	676,900

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10. SECURITIES PURCHASED UNDER RESALE AGREEMENTS (continued)

b. By Bank Indonesia's collectibility:

	December 31, 2016	December 31, 2015
Current	5,054,488	676,900

c. Movements of allowance for impairment losses on securities purchased under resale agreements:

	December 31, 2016	December 31, 2015
Beginning balance	-	41,941
Reversal during the year (Note 44)	-	(41,941)
Ending balance	-	-

Management believes that the allowance for impairment losses on securities purchased under resale agreements is adequate.

d. Information in respect of classification of "non-impaired" and "impaired" is disclosed in Note 61A.

11. DERIVATIVE RECEIVABLES AND PAYABLES

As of December 31, 2016, the summary of derivative transactions is as follows:

Transactions	Notional amount (Rupiah equivalent)	Fair value	
		Derivative receivables	Derivative payables
Related parties (Note 55)			
<u>Foreign exchange related</u>			
1. Forward - sell			
United States Dollar	2,027,885	336	2,882
Others	5,678	2	-
2. Swap - buy			
United States Dollar	1,347,250	-	300
3. Swap - sell			
United States Dollar	6,598,314	3,154	6,824
<u>Interest rate related</u>			
1. Swap - interest rate			
Others		168	52
Total related parties		3,660	10,058

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11. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

As of December 31, 2016, the summary of derivative transactions is as follows: (continued)

Transactions	Notional amount (Rupiah equivalent)	Fair value	
		Derivative receivables	Derivative payables
Third parties			
<u>Foreign exchange related</u>			
1. Forward - buy			
United States Dollar	2,339,530	21,364	3,336
Others	1,987,282	2,176	59,376
2. Forward - sell			
United States Dollar	4,352,298	12,323	27,668
Others	40,381	576	29
3. Swap - buy			
United States Dollar	2,626,577	17,520	2,148
Other	623,476	661	2,413
4. Swap - sell			
United States Dollar	18,001,365	25,038	164,113
Others	2,802,046	63,701	980
5. Option - buy			
United States Dollar	-	116	2,377
Others		15	-
6. Option - sell			
United States Dollar	-	3,012	1,336
<u>Interest rate related</u>			
1. Swap - interest rate			
United States Dollar		87,941	225,747
Others		1,157	2,888
Total third parties		235,600	492,411
Total		239,260	502,469

As of December 31, 2015, the summary of derivative transactions is as follows:

Transactions	Notional amount (Rupiah equivalent)	Fair value	
		Derivative receivables	Derivative payables
Related parties (Note 55)			
<u>Foreign exchange related</u>			
1. Forward - sell			
United States Dollar	2,222,820	18,861	1,504
2. Swap - sell			
United States Dollar	1,184,300	12,924	1,290
<u>Interest rate related</u>			
1. Swap - interest rate			
United States Dollar		-	2
Others		367	299
Total related parties		32,152	3,095

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11. DERIVATIVE RECEIVABLES AND PAYABLES (continued)

As of December 31, 2015, the summary of derivative transactions is as follows (continued):

Transactions	Notional amount (Rupiah equivalent)	Fair value	
		Derivative receivables	Derivative payables
Third parties			
<u>Foreign exchange related</u>			
1. Forward - buy			
United States Dollar	800,095	851	12,385
Others	45,691	524	-
2. Forward - sell			
United States Dollar	6,736,246	211,196	1,132
Others	138,559	840	249
3. Swap - buy			
United States Dollar	8,778,275	34,575	33,976
Other	3,340,455	42,858	194
4. Swap - sell			
United States Dollar	9,964,506	128,560	18,065
Others	762,529	631	3,067
<u>Interest rate related</u>			
1. Swap - interest rate			
United States Dollar		15,921	224,998
Others		232,776	1,918
Total third parties		668,732	295,984
Total		700,884	299,079

As of December 31, 2016 and 2015, derivative contracts were not designated as hedge accounting.

As of December 31, 2016 and 2015, Bank Indonesia's collectibility for derivative receivables is current.

12. LOANS AND SHARIA RECEIVABLES/FINANCING

A. Details of loans and sharia receivables/financing:

a. By currency, related parties and third parties:

	December 31, 2016	December 31, 2015
Rupiah:		
Related parties (Note 55)	78,579,405	51,584,235
Third parties	478,173,216	442,937,919
Total	556,752,621	494,522,154
Foreign currencies:		
Related parties (Note 55)	21,622,078	23,821,572
Third parties	70,948,254	68,331,711
Total (Note 61B.(v))	92,570,332	92,153,283
Less: Allowance for impairment losses	649,322,953 (32,616,760)	586,675,437 (22,281,842)
Net	616,706,193	564,393,595

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

A. Details of loans and sharia receivables/financing (continued):

b.1 By type:

	December 31, 2016		
	Non-impaired ^{**)}	Impaired ^{*)**)}	Total
Rupiah:			
Working capital	223,899,951	29,197,623	253,097,574
Investment	119,239,087	16,620,750	135,859,837
Consumer	125,252,871	3,288,718	128,541,589
Syndicated	16,744,279	1,884,271	18,628,550
Export	14,230,417	59,184	14,289,601
Employees	5,627,776	48,148	5,675,924
Government program	562,536	97,010	659,546
Total	505,556,917	51,195,704	556,752,621
Foreign currencies:			
Working capital	23,007,517	4,281,727	27,289,244
Investment	29,812,065	7,699,829	37,511,894
Consumer	395,303	-	395,303
Syndicated	19,999,125	3,712,674	23,711,799
Export	2,844,092	817,432	3,661,524
Employees	568	-	568
Total (Note 61B.(v))	76,058,670	16,511,662	92,570,332
	581,615,587	67,707,366 ¹⁾	649,322,953
Less: Allowance for impairment losses	(5,478,737)	(27,138,023) ²⁾	(32,616,760)
Net	576,136,850	40,569,343³⁾	616,706,193

*) Included in "impaired portfolio" are (i) loans classified as sub-standard, doubtful and loss (non-performing loans) in accordance with Bank Indonesia regulation, and (ii) all restructured loans (iii) others based on specific consideration (Note 2c.G.(a)).

***) Including loan of Subsidiary engaged in sharia banking in which allowance for impairment losses is calculated based on Bank Indonesia Regulation and SFAS No. 102 (Revised 2013).

1) Loans evaluated by using individual and collective assessment are amounting to Rp51,572,183 and Rp16,135,183, respectively.

2) Allowance for impairment losses calculated by using individual and collective assessment are amounting to Rp23,054,786 and Rp4,083,237, respectively.

3) Loans - net evaluated by using individual and collective assessment are amounting to Rp28,517,397 and Rp12,051,946, respectively.

	December 31, 2015		
	Non-impaired ^{**)}	Impaired ^{*)**)}	Total
Rupiah:			
Working capital	208,014,952	15,610,895	223,625,847
Investment	119,075,029	8,985,836	128,060,865
Consumer	111,634,458	2,162,270	113,796,728
Syndicated	12,444,018	754,225	13,198,243
Export	10,702,639	149,861	10,852,500
Employees	4,008,931	67,680	4,076,611
Government program	759,051	152,309	911,360
Total	466,639,078	27,883,076	494,522,154

*) Included in "impaired portfolio" are (i) loans classified as sub-standard, doubtful and loss (non-performing loans) in accordance with Bank Indonesia regulation, and (ii) all restructured loans (iii) others based on specific consideration (Note 2c.G.(a)).

***) Including loan of Subsidiary engaged in sharia banking in which allowance for impairment losses is calculated based on Bank Indonesia Regulation and SFAS No. 102 (Revised 2013).

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

A. Details of loans and sharia receivables/financing (continued):

b.1 By type (continued):

	December 31, 2015 (continued)		
	Non-impaired ^{**})	Impaired ^{**})	Total
Foreign currencies:			
Working capital	28,485,384	5,220,454	33,705,838
Investment	27,410,237	7,464,351	34,874,588
Consumer	278,873	-	278,873
Syndicated	12,936,393	242,545	13,178,938
Export	9,251,222	863,087	10,114,309
Employees	737	-	737
Total (Note 61B.(v))	78,362,846	13,790,437	92,153,283
	545,001,924	41,673,513 ¹⁾	586,675,437
Less: Allowance for impairment losses	(5,507,533)	(16,774,309) ²⁾	(22,281,842)
Net	539,494,391	24,899,204³⁾	564,393,595

*) Included in "impaired portfolio" are (i) loans classified as sub-standard, doubtful and loss (non-performing loans) in accordance with Bank Indonesia regulation, and (ii) all restructured loans (iii) others based on specific consideration (Note 2c.G.(a)).

***) Including loan of Subsidiary engaged in sharia banking in which allowance for impairment losses is calculated based on Bank Indonesia Regulation and SFAS No. 102 (Revised 2013).

1) Loans evaluated by using individual and collective assessment are amounting to Rp30,423,173 and Rp11,250,340, respectively.

2) Allowance for impairment losses calculated by using individual and collective assessment are amounting to Rp13,265,021 and Rp3,509,288, respectively.

3) Loans - net evaluated by using individual and collective assessment are amounting to Rp17,158,152 and Rp7,741,052, respectively.

b.2 By type and Bank Indonesia's collectibility:

	December 31, 2016					
	Current	Special mention	Sub- standard	Doubtful	Loss	Total
Rupiah:						
Working capital	228,380,147	9,610,239	6,417,582	1,537,514	7,152,092	253,097,574
Investment	126,315,123	4,393,028	2,030,464	209,724	2,911,498	135,859,837
Consumer	119,358,666	6,996,906	480,810	572,467	1,132,740	128,541,589
Syndicated	18,255,518	254,458	-	-	118,574	18,628,550
Export	14,136,640	97,052	9,047	3,901	42,961	14,289,601
Employees	5,446,459	218,593	5,313	1,223	4,336	5,675,924
Government program	589,792	17,789	6,449	5,181	40,335	659,546
Total	512,482,345	21,588,065	8,949,665	2,330,010	11,402,536	556,752,621
Foreign currencies:						
Working capital	23,418,079	2,197,826	305,614	162,346	1,205,379	27,289,244
Investment	35,128,070	1,086,854	528,265	-	768,705	37,511,894
Consumer	395,303	-	-	-	-	395,303
Syndicated	23,248,765	-	98,020	132,260	232,754	23,711,799
Export	3,497,590	95,067	19,829	-	49,038	3,661,524
Employees	568	-	-	-	-	568
Total (Note 61B.(v))	85,688,375	3,379,747	951,728	294,606	2,255,876	92,570,332
	598,170,720	24,967,812	9,901,393	2,624,616	13,658,412	649,322,953
Less: Allowance for impairment losses	(11,786,677)	(4,548,927)	(4,070,577)	(1,107,476)	(11,103,103)	(32,616,760)
Net	586,384,043	20,418,885	5,830,816	1,517,140	2,555,309	616,706,193

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

A. Details of loans and sharia receivables/financing (continued):

b.2 By type and Bank Indonesia's collectability (continued):

	December 31, 2015					
	Current	Special mention	Sub- standard	Doubtful	Loss	Total
Rupiah:						
Working capital	205,509,646	9,563,744	1,596,981	1,070,148	5,885,328	223,625,847
Investment	120,452,660	4,927,420	580,394	198,996	1,901,395	128,060,865
Consumer	104,952,575	6,789,491	465,328	585,609	1,003,725	113,796,728
Syndicated	12,599,908	343,794	254,541	-	-	13,198,243
Export	10,592,324	120,717	99,730	20,000	19,729	10,852,500
Employees	3,808,837	240,478	21,547	1,980	3,769	4,076,611
Government program	753,864	54,785	23,152	26,169	53,390	911,360
Total	458,669,814	22,040,429	3,041,673	1,902,902	8,867,336	494,522,154
Foreign currencies:						
Working capital	30,726,925	2,750,266	-	228,557	90	33,705,838
Investment	32,818,873	1,430,134	138,091	286,516	200,974	34,874,588
Consumer	278,873	-	-	-	-	278,873
Syndicated	12,936,393	191,008	72	-	51,465	13,178,938
Export	9,321,662	133,000	46,621	61,468	551,558	10,114,309
Employees	737	-	-	-	-	737
Total (Note 61B.(v))	86,083,463	4,504,408	184,784	576,541	804,087	92,153,283
	544,753,277	26,544,837	3,226,457	2,479,443	9,671,423	586,675,437
Less: Allowance for impairment losses	(5,868,080)	(6,319,154)	(1,281,970)	(1,464,641)	(7,347,997)	(22,281,842)
Net	538,885,197	20,225,683	1,944,487	1,014,802	2,323,426	564,393,595

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

A. Details of loans and sharia receivables/financing (continued):

c.1 By economic sector:

	December 31, 2016		
	Non-impaired ^{**)}	Impaired ^{*)**)}	Total
Rupiah:			
Trading, restaurant and hotel	107,149,575	13,957,534	121,107,109
Manufacturing	90,362,185	15,315,418	105,677,603
Business services	42,510,056	3,795,187	46,305,243
Agriculture	52,785,745	6,168,983	58,954,728
Construction	23,706,108	1,794,246	25,500,354
Transportation, warehousing and communications	17,405,573	3,697,791	21,103,364
Electricity, gas and water	23,391,975	635,314	24,027,289
Mining	5,746,421	2,076,354	7,822,775
Social services	7,819,131	259,809	8,078,940
Others	134,680,148	3,495,068	138,175,216
Total	505,556,917	51,195,704	556,752,621
Foreign currencies:			
Trading, restaurant and hotel	9,550,116	260,928	9,811,044
Manufacturing	15,059,702	9,409,650	24,469,352
Business services	2,143,143	474,722	2,617,865
Agriculture	8,452,083	126,579	8,578,662
Construction	584,740	33,165	617,905
Transportation, warehousing and communications	3,276,371	2,168,650	5,445,021
Electricity, gas and water	3,186,296	667,539	3,853,835
Mining	22,696,415	3,303,001	25,999,416
Social services	2,644,517	67,348	2,711,865
Others	8,465,287	80	8,465,367
Total (Note 61B.(v))	76,058,670	16,511,662	92,570,332
	581,615,587	67,707,366 ¹⁾	649,322,953
Less: Allowance for impairment losses	(5,478,737)	(27,138,023) ²⁾	(32,616,760)
Net	576,136,850	40,569,343³⁾	616,706,193

*) Included in "impaired portfolio" are (i) loans classified as sub-standard, doubtful and loss (non-performing loans) in accordance with Bank Indonesia regulation, and (ii) all restructured loans (iii) others based on specific consideration (Note 2c.G.(a)).

***) Including loan of Subsidiary engaged in sharia banking in which allowance for impairment losses is calculated based on Bank Indonesia Regulation and SFAS No. 102 (Revised 2013).

1) Loans evaluated by using individual and collective assessment are amounting to Rp51,572,183 and Rp16,135,183, respectively.

2) Allowance for impairment losses calculated by using individual and collective assessment are amounting to Rp23,054,786 and Rp4,083,237, respectively.

3) Loans - net evaluated by using individual and collective assessment are amounting to Rp28,517,397 and Rp12,051,946, respectively.

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

A. Details of loans and sharia receivables/financing (continued):

c.1 By economic sector (continued):

	December 31, 2015		
	Non-impaired ^{**)}	Impaired ^{*)**)}	Total
Rupiah:			
Trading, restaurant and hotel	90,466,211	8,450,015	98,916,226
Manufacturing	99,311,806	6,814,058	106,125,864
Business services	38,264,375	1,105,551	39,369,926
Agriculture	59,466,879	1,478,409	60,945,288
Construction	18,578,951	1,500,964	20,079,915
Transportation, warehousing and communications	17,182,722	2,503,190	19,685,912
Electricity, gas and water	12,502,285	1,359,638	13,861,923
Mining	5,019,901	2,135,630	7,155,531
Social services	5,899,004	197,071	6,096,075
Others	119,946,944	2,338,550	122,285,494
Total	466,639,078	27,883,076	494,522,154
Foreign currencies:			
Trading, restaurant and hotel	7,643,925	2,519,700	10,163,625
Manufacturing	18,426,393	6,814,526	25,240,919
Business services	2,578,465	330,822	2,909,287
Agriculture	9,049,586	58,570	9,108,156
Construction	931,390	40,807	972,197
Transportation, warehousing and communications	5,374,522	1,001,860	6,376,382
Electricity, gas and water	626,444	731,356	1,357,800
Mining	23,236,185	2,292,715	25,528,900
Social services	641,852	-	641,852
Others	9,854,084	81	9,854,165
Total (Note 61B.(v))	78,362,846	13,790,437	92,153,283
	545,001,924	41,673,513 ¹⁾	586,675,437
Less: Allowance for impairment losses	(5,507,533)	(16,774,309) ²⁾	(22,281,842)
Net	539,494,391	24,899,204³⁾	564,393,595

*) Included in "impaired portfolio" are (i) loans classified as sub-standard, doubtful and loss (non-performing loans) in accordance with Bank Indonesia regulation, and (ii) all restructured loans (iii) others based on specific consideration (Note 2c.G.(a)).

***) Including loan of Subsidiary engaged in sharia banking in which allowance for impairment losses is calculated based on Bank Indonesia Regulation and SFAS No. 102 (Revised 2013).

1) Loans evaluated by using individual and collective assessment are amounting to Rp30,423,173 and Rp11,250,340, respectively.

2) Allowance for impairment losses calculated by using individual and collective assessment are amounting to Rp13,265,021 and Rp3,509,288, respectively.

3) Loans - net evaluated by using individual and collective assessment are amounting to Rp17,158,152 and Rp7,741,052, respectively.

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

A. Details of loans and sharia receivables/financing (continued):

c.2 By economic sector and Bank Indonesia's collectibility:

	December 31, 2016					
	Current	Special mention	Sub- standard	Doubtful	Loss	Total
Rupiah:						
Trading, restaurant and hotel	107,913,673	4,839,514	3,793,519	1,112,055	3,448,348	121,107,109
Manufacturing	94,446,088	4,915,204	2,152,608	40,671	4,123,032	105,677,603
Business services	44,729,723	869,821	192,581	76,067	437,051	46,305,243
Agriculture	57,209,089	986,888	75,295	60,297	623,159	58,954,728
Construction	23,904,337	901,357	305,495	61,381	327,784	25,500,354
Transportation, warehousing and communications	18,016,349	1,223,535	756,609	146,325	960,546	21,103,364
Electricity, gas and water	23,658,839	8,731	196,449	147,162	16,108	24,027,289
Mining	6,243,773	360,938	907,571	89,824	220,669	7,822,775
Social services	7,772,294	217,801	13,150	18,052	57,643	8,078,940
Others	128,588,180	7,264,276	556,388	578,176	1,188,196	138,175,216
Total	512,482,345	21,588,065	8,949,665	2,330,010	11,402,536	556,752,621
Foreign currencies:						
Trading, restaurant and hotel	9,648,074	30,622	-	132,260	88	9,811,044
Manufacturing	19,962,793	2,757,665	335,625	-	1,413,269	24,469,352
Business services	2,470,757	98,655	-	-	48,453	2,617,865
Agriculture	8,507,942	-	-	-	70,720	8,578,662
Construction	584,740	11,373	-	-	21,792	617,905
Transportation, warehousing and communications	5,131,484	95,212	104,744	-	113,581	5,445,021
Electricity, gas and water	3,235,329	292,560	-	-	325,946	3,853,835
Mining	25,037,452	26,312	511,359	162,346	261,947	25,999,416
Social services	2,644,517	67,348	-	-	-	2,711,865
Others	8,465,287	-	-	-	80	8,465,367
Total (Note 61 B.(v))	85,688,375	3,379,747	951,728	294,606	2,255,876	92,570,332
	598,170,720	24,967,812	9,901,393	2,624,616	13,658,412	649,322,953
Less: Allowance for impairment losses	(11,786,677)	(4,548,927)	(4,070,577)	(1,107,476)	(11,103,103)	(32,616,760)
Net	586,384,043	20,418,885	5,830,816	1,517,140	2,555,309	616,706,193

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12. LOANS AND SHARIA RECEIVABLES/FINANCING(continued)

A. Details of loans and sharia receivables/financing(continued):

c.2 By economic sector and Bank Indonesia's collectibility (continued):

December 31, 2015						
	Current	Special mention	Sub- standard	Doubtful	Loss	Total
Rupiah:						
Trading, restaurant and hotel	88,340,554	5,502,232	910,277	807,983	3,355,180	98,916,226
Manufacturing	99,227,507	3,725,665	1,197,246	115,434	1,860,012	106,125,864
Business services	37,849,178	892,602	111,614	72,061	444,471	39,369,926
Agriculture	59,750,287	621,538	51,510	100,253	421,700	60,945,288
Construction	19,026,635	876,948	18,560	18,620	139,152	20,079,915
Transportation, warehousing and communications	16,846,089	2,290,406	123,475	139,996	285,946	19,685,912
Electricity, gas and water	12,741,855	443,261	-	4,101	672,706	13,861,923
Mining	6,083,600	412,380	96,924	17,219	545,408	7,155,531
Social services	5,839,481	138,708	9,768	20,450	87,668	6,096,075
Others	112,964,628	7,136,689	522,299	606,785	1,055,093	122,285,494
Total	458,669,814	22,040,429	3,041,673	1,902,902	8,867,336	494,522,154
Foreign currencies:						
Trading, restaurant and hotel	9,607,144	39,900	-	-	516,581	10,163,625
Manufacturing	20,981,632	3,782,053	46,620	395,547	35,067	25,240,919
Business services	2,857,822	-	-	-	51,465	2,909,287
Agriculture	9,108,156	-	-	-	-	9,108,156
Construction	931,390	40,807	-	-	-	972,197
Transportation, warehousing and communications	5,777,811	216,612	72	180,994	200,893	6,376,382
Electricity, gas and water	1,021,847	197,861	138,092	-	-	1,357,800
Mining	25,301,725	227,175	-	-	-	25,528,900
Social services	641,852	-	-	-	-	641,852
Others	9,854,084	-	-	-	81	9,854,165
Total (Note 61 B,(v))	86,083,463	4,504,408	184,784	576,541	804,087	92,153,283
	544,753,277	26,544,837	3,226,457	2,479,443	9,671,423	586,675,437
Less: Allowance for impairment losses	(5,868,080)	(6,319,154)	(1,281,970)	(1,464,641)	(7,347,997)	(22,281,842)
Net	538,885,197	20,225,683	1,944,487	1,014,802	2,323,426	564,393,595

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

A. Details of loans and sharia receivables/financing (continued):

d. By period:

	December 31, 2016	December 31, 2015
Rupiah:		
Less than 1 year	80,119,528	63,647,781
1 - 2 years	26,434,455	35,141,876
2 - 5 years	136,008,117	148,904,485
Over 5 years	314,190,521	246,828,012
Total	556,752,621	494,522,154
Foreign currencies:		
Less than 1 year	16,250,405	19,672,332
1 - 2 years	6,310,433	3,313,752
2 - 5 years	12,854,334	17,704,549
Over 5 years	57,155,160	51,462,650
Total (Note 61B.(v))	92,570,332	92,153,283
	649,322,953	586,675,437
Less: Allowance for impairment losses	(32,616,760)	(22,281,842)
Net	616,706,193	564,393,595

The ratio of non-performing loans of Bank Mandiri and its Subsidiaries on a gross basis (before deducted with the allowance for impairment losses) as of December 31, 2016 and 2015, were 4.00% and 2.60%, respectively (the ratios for Bank Mandiri only were 3.96% and 2.29% as of December 31, 2016 and 2015, respectively) while the ratio of non-performing loans of Bank Mandiri and its Subsidiaries on a net basis as of December 31, 2016 and 2015, were 1.53% and 0.90%, respectively (the ratios for Bank Mandiri only were 1.38% and 0.60% as of December 31, 2016 and 2015, respectively). The balance of non-performing loans of Bank Mandiri and its Subsidiaries include consumer finance receivables and net investment in finance lease of the Subsidiary.

The calculation of non-performing loans ratio for Bank Mandiri and its Subsidiaries as of December 31, 2016 and 2015 are in accordance with Bank Indonesia Circular Letter No. 3/30/DPNP dated December 14, 2001 with regards to Quarterly and Monthly Published Report for Commercial Banks and Certain Reports to Bank Indonesia, as last amended by Bank Indonesia Circular Letter No. 13/30/DPNP dated December 16, 2011, is calculated from the loan amount, excluding loan to other banks amounting to Rp2,149,274 and Rp2,409,938 as of December 31, 2016 and 2015, respectively.

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

B. Other significant information related to loans and sharia receivables/financing:

- a. Included in loans are sharia receivables/financing granted by Subsidiaries amounting to Rp54,665,318 and Rp50,265,370, as of December 31, 2016 and 2015, respectively which consist of:

	December 31, 2016	December 31, 2015
Receivables from <i>murabahah</i> and <i>istishna</i>	36,204,384	34,818,598
<i>Musyarakah</i> financing	13,338,662	10,591,076
Other sharia financing	5,122,272	4,855,696
Total	54,665,318	50,265,370
Less: Allowance for impairment losses	(1,833,396)	(1,796,952)
Net	52,831,922	48,468,418

- b. Average interest rates (yield) and range of profit sharing per annum are as follows:

	December 31, 2016	December 31, 2015
Average interest rates (yield) per annum:		
Rupiah	11.42%	12.15%
Foreign currencies	6.40%	4.84%
Range of profit sharing per annum:		
Receivables from <i>murabahah</i> and <i>istishna</i>	2.78% - 12.45%	5.12% - 19.10%
<i>Musyarakah</i> financing	2.95% - 12.50%	4.42% - 15.67%
Other sharia financing	4.66% - 14.10%	1.79% - 15.70%

c. Loan Collaterals

Loans are generally secured by pledged collateral, bond with powers of attorney in respect of the rights to sell, time deposits or other collateral acceptable by Bank Mandiri and its Subsidiaries. Deposits from customers and deposits from other banks that were pledged as cash collateral for loans as of December 31, 2016 and 2015 amounted to Rp37,803,693 and Rp33,655,043, respectively (Notes 21c, 22c, 23e, 24c and 26d).

d. Government program loans

Government Program Loans consist of investment loans, permanent working capital loans, working capital loans and KPR Sejahtera FLPP (*Liquidity Facility of House Financing*) which can be partially and/or fully funded by the Government.

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

B. Other significant information related to loans and sharia receivables/financing (continued):

e. Syndicated loans

Syndicated loans represent loans provided to borrowers under financing agreements with other banks. The percentage share of Bank Mandiri as the facility agent in a syndicated loans as of December 31, 2016 and 2015 ranged from 24.00% to 94.52% and 6.73% to 94.52% (unaudited), respectively, of the total syndicated loans. While the percentage share of Bank Mandiri, as a member in syndicated loans as of December 31, 2016 and 2015 ranged from 0,61% to 98,67% and 0.61% to 99.38% (unaudited), respectively, of the total syndicated loans.

f. Restructured loans

Below are the types and amount of restructured loans as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Extension of loan maturity dates	46,336,904	24,525,588
Extension of loan maturity dates and reduction of interest rates	2,232,220	1,626,032
Long-term loans with options to convert debt to equity	-	322,172
Additional loan facilities	31,826	34,202
Extension of loan maturity dates and other restructuring schemes*)	4,130,325	6,005,590
	52,731,275	32,513,584

*) Other restructuring schemes mainly involve reduction of interest rates, rescheduling of unpaid interest and extension of repayment periods for unpaid interest.

Below are the amount of restructured loans based on collectibility:

	December 31, 2016	December 31, 2015
Current	22,726,073	16,431,124
Special mention	13,777,071	11,476,860
Substandard	8,644,843	874,044
Doubtful	934,997	606,329
Loss	6,648,291	3,125,227
Total	52,731,275	32,513,584

Total restructured loans under non-performing loans (NPL) category as of December 31, 2016 and 2015 are amounting to Rp16,228,131 and Rp4,605,600, respectively.

g. Loans to related parties

Total loans to related parties and its percentage to the total consolidated assets are disclosed in Note 55.

Loans to related parties include loans to Bank Mandiri key employees. The loans to Bank Mandiri key employees consist of interest-bearing amounting to 4.30% per annum which are intended for the acquisition of vehicles and/or houses, and are repayable within 1 (one) to 15 (fifteen) years through monthly payroll deductions.

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

B. Other significant information related to loans and sharia receivables/financing (continued):

h. Legal Lending Limit (LLL)

As of December 31, 2016 and 2015, there are no breach or violation of Legal Lending Limit (LLL) to third parties and related parties as required by Bank Indonesia regulations.

i. Bank Mandiri has several channeling loan agreements with several international financial institutions (Note 60).

j. Movements of allowance for impairment losses on loans and sharia receivables/financing:

	December 31, 2016	December 31, 2015
Beginning balance ¹⁾	22,281,842	17,706,947
Beginning balance adjustment relating to implementation of SFAS No. 102 in Subsidiary ²⁾	-	246,727
Allowance during the year (Note 44)	24,277,357	11,460,581
Write-offs ³⁾	(12,991,055)	(7,495,451)
Others ⁴⁾	(951,384)	363,038
Ending balance⁴⁾	32,616,760	22,281,842

*) Includes effect of foreign currency translation and implication from interest income recognised on the non-impaired portion of the impaired loans (Note 41).

1) Beginning balance as of December 31, 2016 and 2015 is amounting to Rp13,265,021 and Rp9,744,022, respectively, which were calculated using individual assessment and Rp9,016,821 and Rp7,962,925, respectively, which were calculated using collective assessment.

2) Adjustment in collective allowance calculation (Note 64).

3) Write-off as of December 31, 2016 and 2015 is amounting to Rp5,878,014 and Rp1,853,346, respectively, which are calculated using individual assessment and Rp7,113,041 and Rp5,642,105, respectively, which are calculated using collective assessment.

4) Ending balance as of December 31, 2016 and 2015 is amounting to Rp23,054,786 and Rp13,265,021, respectively, which were calculated using individual assessment and Rp9,561,974 and Rp9,016,821, respectively, which were calculated using collective assessment.

Management believes that the allowance for impairment losses on loans is adequate.

k. Summary of non-performing loans based on economic sector and the minimum allowance for impairment losses are as follows:

	Non-performing loans (based on Bank Indonesia regulation)	
	December 31, 2016	December 31, 2015
Rupiah:		
Trading, restaurant and hotel	8,353,922	5,073,440
Manufacturing	6,316,311	3,172,692
Transportation, warehousing and communications	1,863,480	549,417
Mining	1,218,064	659,551
Agriculture	758,751	573,463
Business services	705,699	628,146
Construction	694,660	-
Electricity, gas and water	359,719	676,807
Social services	88,845	-
Others	2,322,760	2,478,395
Total	22,682,211	13,811,911

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

B. Other significant information related to loans and sharia receivables/financing (continued):

k. Summary of non-performing loans based on economic sector and the minimum allowances for impairment losses are as follows (continued):

	Non-performing loans (based on Bank Indonesia regulation)	
	December 31, 2016	December 31, 2015
Foreign currencies:		
Manufacturing	1,748,894	477,234
Mining	935,652	-
Electricity, gas and water	325,946	138,092
Transportation, warehousing and communications	218,325	381,959
Trading, restaurant and hotel	132,348	516,581
Agriculture	70,720	-
Business services	48,453	51,465
Construction	21,792	-
Others	80	81
Total	3,502,210	1,565,412
	26,184,421	15,377,323

Total minimum allowance for impairment losses based on Bank Indonesia regulation is as follows:

	Minimum allowance for impairment losses	
	December 31, 2016	December 31, 2015
Rupiah:		
Trading, restaurant and hotel	4,573,403	3,895,713
Manufacturing	4,466,259	2,097,316
Transportation, warehousing and communication	1,147,200	374,465
Agriculture	664,602	479,553
Business services	503,972	497,244
Constructions	404,299	-
Mining	401,717	568,556
Electricity, gas and water	119,156	674,757
Social services	68,642	-
Others	1,560,742	1,687,434
Total	13,909,992	10,275,038

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

B. Other significant information related to loans and sharia receivables/financing (continued):

k. Summary of non-performing loans based on economic sector and the minimum allowances for impairment losses are as follows (continued):

Total minimum allowance for impairment losses based on Bank Indonesia regulation is as follows (continued):

	Minimum allowance for impairment losses	
	December 31, 2016	December 31, 2015
Foreign currencies:		
Manufacturing	1,463,613	239,834
Mining	419,824	-
Electricity, gas and water	325,946	20,714
Transportation; warehousing and communications	129,293	291,401
Agriculture	70,720	-
Trading, restaurant and hotel	66,218	516,581
Business services	48,453	51,465
Construction	21,792	-
Others	80	81
Total	2,545,939	1,120,076
	16,455,931	11,395,114

l. Write-off of "Loss" category loans

For the year ended December 31, 2016 and 2015, Bank Mandiri written-off loans in the "loss" category amounting to Rp11,407,905 and Rp5,993,139 (Bank Mandiri only), respectively. The criteria for loan write-offs are as follows:

- a. Loan facility has been classified as loss;
- b. Loan facility has been provided with 100.00% (one hundred percent provision from the loan principal);
- c. Collection and recovery efforts have been performed, but the result is unsuccessful;
- d. The debtors' business has no prospect or performance is bad or they do not have the ability to repay the loan; and
- e. The write-offs are performed for all loan obligations, including non-cash loan facilities, and the write-offs shall not be written-off partially.

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12. LOANS AND SHARIA RECEIVABLES/FINANCING (continued)

B. Other significant information related to loans and sharia receivables/financing (continued):

m. Written-off loans are recorded in extra-comptable. The Bank still continue pursuing for collection of the written-off loans. These loans are not reflected in the consolidated statement of financial position of the Bank. A summary of movements of extra-comptable loans for the years ended December 31, 2016 and 2015 are as follows (Bank Mandiri only):

	December 31, 2016	December 31, 2015
Beginning balance	40,814,911	35,937,424
Write-offs	11,407,905	5,993,139
Cash recoveries	(3,192,703)	(3,040,568)
Others*)	(222,526)	1,924,916
Ending balance	48,807,587	40,814,911

*) Represents effect of foreign currency translation.

n. Loans channelled by Bank Mandiri through direct financing (executing) to multifinance company and joint financing mechanism as of December 31, 2016 and 2015 amounted to Rp9,343,725 and Rp11,197,705, respectively.

o. The carrying amount of loans and sharia financing/receivables at amortised cost are as follows:

	December 31, 2016	December 31, 2015
Loans (Note 12A)	649,322,953	586,675,437
Accrued interest receivables	2,602,896	2,401,623
Deferred income (directly attributable) (Note 35)	(629,761)	(521,003)
Allowance for impairment losses (Note 12A and 12B.j)	(32,616,760)	(22,281,842)
	618,679,328	566,274,215

13. CONSUMER FINANCING RECEIVABLES

a. Details of Subsidiary's consumer financing receivables are as follows:

	December 31, 2016	December 31, 2015
Consumer financing receivables - gross		
Direct financing – Rupiah	40,751,916	32,106,710
Less:		
Joint financing (without recourse) - gross		
Rupiah		
Related parties	(24,572,587)	(20,906,390)
Total consumer financing receivables - gross	16,179,329	11,200,320

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13. CONSUMER FINANCING RECEIVABLES (continued)

a. Details of Subsidiary's consumer financing receivables are as follows (continued):

	December 31, 2016	December 31, 2015
Less:		
Unearned income on consumer financing		
Direct financing		
Rupiah		
Third parties	(7,544,605)	(5,928,224)
Less:		
Joint financing (without recourse) - gross		
Rupiah		
Related parties	3,220,492	2,905,967
Total unearned income on consumer financing	(4,324,113)	(3,022,257)
Total	11,855,216	8,178,063
Less: Allowance for impairment losses	(323,378)	(270,614)
Net	11,531,838	7,907,449

Installments of consumer financing receivables - gross as of December 31, 2016 and 2015 which will be received from customers based on the maturity dates are as follows:

	December 31, 2016	December 31, 2015
Year		
2016	-	12,911,158
2017	16,130,975	9,814,508
2018	12,290,684	6,124,477
2019	7,672,018	2,592,788
2020	3,632,097	663,779
2021	978,720	-
2022 and later	47,422	-
	40,751,916	32,106,710

On February 6, 2009, the Bank and PT Mandiri Tunas Finance (MTF), as Subsidiary, signed a Joint Financing Agreement with the amount of facility amounting to Rp2,000,000, whereby the MTF bears the credit risk in accordance to its financing portion (without recourse). The agreement was amended several times, the latest amendment dated December 4, 2014, which increases the amount of facility to Rp20,500,000 with the portion of joint financing facility to minimum of 1.00% from the MTF and a maximum of 99.00% from Bank Mandiri.

On August 29, 2013, Bank Mandiri and MTF signed a Consumer Asset Purchase Agreement with a total facility amounting to Rp1,100,000, whereby MTF bears the credit risk in accordance with its financing portion (without recourse). The period of the facility is from August 29, 2013 until February 28, 2017.

Financing period for contracts disbursed by the Subsidiary on motor vehicles ranges from 12 - 60 months.

Included in consumer financing receivables transactions are related parties transactions amounting to Rp10,532 and Rp5,886 as of December 31, 2016 and 2015, respectively (refer to Note 55).

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13. CONSUMER FINANCING RECEIVABLES (continued)

- b. Details of consumer financing receivables by Bank Indonesia's collectibility as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Current	10,756,156	7,540,389
Special mention	819,790	501,081
Sub-standard	89,824	51,276
Doubtful	146,397	76,581
Loss	43,049	8,736
Total	11,855,216	8,178,063
Less: Allowance for impairment losses	(323,378)	(270,614)
	11,531,838	7,907,449

- c. Average of effective interest rate charged to consumer for the year ended December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Car	15.09%	16.06%
Motorcycle	27.17%	35.28%

- d. Movements of allowance for impairment losses on consumer financing receivables are as follows:

	December 31, 2016	December 31, 2015
Beginning balance	270,614	194,852
Allowance during the year (Note 44)	455,025	291,624
Cash recoveries	52,462	40,641
Write-offs	(454,723)	(256,503)
Ending balance	323,378	270,614

Management believes that the allowance for impairment losses on consumer financing receivables is adequate.

- e. Information in respect of classification of "non-impaired" and "impaired" is disclosed in Note 61A.
- f. Consumer financing receivables as collateral for securities issued on December 31, 2016 and 2015 are respectively Rp1,836,445 and Rp1,035,192 (Note 30).
- g. Consumer financing receivables as collateral for a loan received on December 31, 2016 and 2015 are respectively Rp5,693,917 and Rp3,798,820 (Note 36F).
- h. As collateral for customer financing receivables, the Subsidiary receives a guarantee from consumer such as Proof of Ownership of Motor Vehicles ("BPKB") for vehicles financed by the Subsidiary.

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14. NET INVESTMENT FINANCE LEASES

a. Details of Subsidiary's net investment finance leases are as follows:

	December 31, 2016	December 31, 2015
Net investment finance leases		
Rupiah		
Third parties		
Gross lease financing receivables	975,598	700,117
Guaranteed residual value	317,305	226,130
Deferred lease income	(141,115)	(95,967)
Security deposit	(317,305)	(226,130)
Total net investment on finance leases	834,483	604,150
Less: Allowance for impairment losses	(4,538)	(5,791)
	829,945	598,359

Financing period for contracts disbursed by the Subsidiary on motor vehicles ranges between 12 - 60 months.

Based on maturity date, details of finance leases receivables are as follows:

	December 31, 2016	December 31, 2015
<u>Year</u>		
2016	-	380,726
2017	475,659	216,434
2018	303,444	90,783
2019 and later	196,495	12,174
	975,598	700,117
Guaranteed residual value, deferred lease income and security deposit	(141,115)	(95,967)
Finance leases receivable	834,483	604,150

b. Details of net investment finance leases by Bank Indonesia's collectibility as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Current	788,684	568,663
Special mention	35,031	32,437
Substandard	5,558	1,734
Doubtful	5,080	1,209
Loss	130	107
Total	834,483	604,150
Less: Allowance for impairment losses	(4,538)	(5,791)
	829,945	598,359

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14. NET INVESTMENT IN FINANCE LEASE (continued)

- c. Average of effective interest rate charged to consumer for the year ended December 31, 2016 and 2015, are as follows:

	December 31, 2016	December 31, 2015
Car	13.09%	17.88%
Heavy equipment	12.60%	13.85%

- d. Movements of allowance for impairment losses on net investment finance leases are as follows:

	December 31, 2016	December 31, 2015
Beginning balance	5,791	17,213
Allowance/(reversal) during the year (Note 44)	196	(2,356)
Write-offs	(4,167)	(9,380)
Cash recoveries	2,718	314
Ending balance	4,538	5,791

Management believes that the allowance for impairment losses on net investment in lease financing is adequate.

- e. Information in respect of classification of “not impaired” and “impaired” is disclosed in Note 61A.
 f. Net investment in finance lease as collateral for securities issued on December 31, 2016 and 2015 amounted to Rp158,555 and Rp74,811, respectively (Note 30).
 g. As of December 31, 2016 and 2015, net investment in finance lease pledged as collateral for fund borrowing were amounting to Rp274,319 and Rp321,506, respectively (Note 36f).

15. ACCEPTANCES RECEIVABLE

- a. By currency, related parties and third parties:

	December 31, 2016	December 31, 2015
Rupiah:		
Receivables from other banks		
Related parties (Note 55)	121,508	66,151
Third parties	225,551	257,786
	<u>347,059</u>	<u>323,937</u>
Receivables from debtors		
Related parties (Note 55)	136,911	140,652
Third parties	7,566,995	1,953,453
	<u>7,703,906</u>	<u>2,094,105</u>
Total	<u>8,050,965</u>	<u>2,418,042</u>
Foreign currencies:		
Receivables from other banks		
Related parties (Note 55)	2,983	1,625
Third parties	410,387	122,949
	<u>413,370</u>	<u>124,574</u>

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15. ACCEPTANCES RECEIVABLE (continued)

a. By currency, related parties and third parties (continued):

	December 31, 2016	December 31, 2015
Foreign currencies (continued):		
Receivables from debtors		
Related parties (Note 55)	154,446	201,452
Third parties	6,170,463	8,587,205
	<u>6,324,909</u>	<u>8,788,657</u>
Total (Note 61B.(v))	<u>6,738,279</u>	<u>8,913,231</u>
	14,789,244	11,331,273
Less: Allowance for impairment losses	(241,041)	(107,030)
Net	<u>14,548,203</u>	<u>11,224,243</u>

b. By maturity:

	December 31, 2016	December 31, 2015
Rupiah:		
Less than 1 month	1,535,856	543,142
1 - 3 months	1,917,241	1,129,975
3 - 6 months	3,624,366	626,010
6 - 12 months	973,502	118,915
Total	<u>8,050,965</u>	<u>2,418,042</u>
Foreign currencies:		
Less than 1 month	1,847,555	2,154,980
1 - 3 months	3,358,426	3,252,351
3 - 6 months	1,485,140	2,160,479
6 - 12 months	40,484	1,345,421
More than 12 months	6,674	-
Total (Note 61B.(v))	<u>6,738,279</u>	<u>8,913,231</u>
	14,789,244	11,331,273
Less: Allowance for impairment losses	(241,041)	(107,030)
Net	<u>14,548,203</u>	<u>11,224,243</u>

c. By Bank Indonesia's collectibility:

	December 31, 2016	December 31, 2015
Current	14,776,306	11,311,709
Special mention	2,470	19,564
Substandard	6,578	-
Loss	3,890	-
	<u>14,789,244</u>	<u>11,331,273</u>
Less: Allowance for impairment losses	(241,041)	(107,030)
Net	<u>14,548,203</u>	<u>11,224,243</u>

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15. ACCEPTANCES RECEIVABLE (continued)

d. Movements of allowance for impairment losses on acceptance receivables:

	December 31, 2016	December 31, 2015
Beginning balance	107,030	106,927
Allowance/(reversal) during the year (Note 44)	130,909	(16,822)
Others*)	3,102	16,925
Ending balance	241,041	107,030

*) Includes effect of foreign currency translation.

Management believes that the allowance for impairment losses on acceptance receivables is adequate.

e. Information in respect of classification of “non-impaired” and “impaired” is disclosed in Note 61A.

16. INVESTMENT IN SHARES

a. The detail of investment in shares are as follows:

	December 31, 2016	December 31, 2015
Investment in shares	255,409	58,644
Less: Allowance for impairment losses	(10,273)	(10,250)
	245,136	48,394

The detail of investment in shares as of December 31, 2016 are as follows:

Investee Companies	Nature of Business	Percentage of Ownership	Carrying Amount
Fair value method:			
Westtech Electronics	Trading and retail	5.50%	165
Cost and equity method:			
PT Mitra Transaksi Indonesia*)	Acquiring Aggregator	51.00%	196,738
PT Istaka Karya (Persero)	Construction service	9.30%	50,331
Others (each less than Rp3,000)	Various	3.99% - 34.00%	8,175
			255,409
Less: Allowance for impairment losses			(10,273)
Net			245,136

*) Not consolidated because they do not have any control over that entity.

The detail of investment in shares as of December 31, 2015 are as follows:

Investee Companies	Nature of Business	Percentage of Ownership	Carrying Amount
Fair value method:			
Westtech Electronics	Trading and retail	5.50%	138
Cost and equity method:			
PT Istaka Karya (Persero)	Construction service	9.30%	50,331
Others (each less than Rp3,000)	Various	3.99% - 34.00%	8,175
			58,644
Less: Allowance for impairment losses			(10,250)
Net			48,394

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16. INVESTMENT IN SHARES (continued)

b. Investment in shares by Bank Indonesia's collectibility:

	December 31, 2016	December 31, 2015
Current	202,958	8,175
Substandard	50,331	50,331
Loss	2,120	138
	<u>255,409</u>	<u>58,644</u>
Less: Allowance for impairment losses	(10,273)	(10,250)
Net	<u>245,136</u>	<u>48,394</u>

c. Movements of allowance for impairment losses on investment in shares:

	December 31, 2016	December 31, 2015
Beginning balance	10,250	3,182
Allowance during the year (Note 44)	33	7,087
Others*)	(10)	(19)
Ending balance	<u>10,273</u>	<u>10,250</u>

*) Includes effect of foreign currency translation

Management believes that the allowance for impairment losses on investment in shares is adequate.

17. PREPAID EXPENSES

	December 31, 2016	December 31, 2015
Prepaid rent	1,519,688	1,299,001
Building maintenance	679,240	587,060
Others	552,153	413,791
	<u>2,751,081</u>	<u>2,299,852</u>

Prepaid rent mostly consists of rentals on buildings which are used as the Group branch's offices and official residence across Indonesia.

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18. FIXED ASSETS

The details of fixed assets were as follows:

	December 31, 2016				Ending balance
	Beginning Balance	Additions ^{*)}	Deductions	Reclassifications	
At cost/revaluation value					
Direct ownership					
Land	2,845,929	25,971,488	-	5,758	28,823,175
Building	4,069,068	254,429	(114)	330,149	4,653,532
Furniture and fixtures, office equipment and computer	8,802,305	186,454	(18,643)	608,532	9,578,648
Vehicles	288,570	3,033	(4,491)	13,186	300,298
Construction in progress	1,451,759	874,669	(31)	(957,625)	1,368,772
	17,457,631	27,290,073	(23,279)	-	44,724,425
Leased assets	12,495	-	-	-	12,495
	17,470,126	27,290,073	(23,279)	-	44,736,920
Accumulated depreciation (Note 49)					
Direct ownership					
Building	1,633,320	195,581	(76)	-	1,828,825
Furniture and fixtures, office equipment and computer	5,883,979	1,134,142	(5,970)	-	7,012,151
Vehicles	188,379	47,308	(6,418)	-	229,269
	7,705,678	1,377,031	(12,464)	-	9,070,245
Leased assets	2,760	625	-	-	3,385
	7,708,438	1,377,656	(12,464)	-	9,073,630
Net book value					
Direct ownership					
Land					28,823,175
Building					2,824,707
Furniture and fixtures, office equipment and computer					2,566,497
Vehicles					71,029
Construction in progress					1,368,772
					35,654,180
Leased assets					9,110
					35,663,290

*) As of December 31, 2016 included in the addition is the revaluation of fixed assets amounting to Rp25,942,034.

	December 31, 2015				Ending Balance
	Beginning Balance	Additions	Deductions	Reclassifications	
At cost					
Direct ownership					
Land	2,839,124	-	-	6,805	2,845,929
Buildings	3,309,328	106,978	(8,158)	660,920	4,069,068
Furniture and fixtures, office equipment and computer	7,121,181	372,619	(29,524)	1,338,029	8,802,305
Vehicles	279,190	6,502	(3,998)	6,876	288,570
Construction in progress	1,925,734	1,538,731	(76)	(2,012,630)	1,451,759
	15,474,557	2,024,830	(41,756)	-	17,457,631
Leased assets	12,495	-	-	-	12,495
	15,487,052	2,024,830	(41,756)	-	17,470,126

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18. FIXED ASSETS (continued)

The details of fixed assets were as follows (continued):

	December 31, 2015				Ending Balance
	Beginning Balance	Additions	Deductions	Reclassifications	
Accumulated Depreciation (Note 49)					
Direct ownership					
Buildings	1,450,960	189,886	(7,526)	-	1,633,320
Furniture and fixtures, office equipment and computer	4,948,105	962,248	(26,374)	-	5,883,979
Vehicles	156,996	35,036	(3,653)	-	188,379
	6,556,061	1,187,170	(37,553)	-	7,705,678
Leased assets	2,135	625	-	-	2,760
	6,558,196	1,187,795	(37,553)	-	7,708,438
Net book value					
Direct ownership					
Land					2,845,929
Buildings					2,435,748
Furniture and fixtures, office equipment and computer					2,918,326
Vehicles					100,191
Construction in progress					1,451,759
					9,751,953
Leased assets					9,735
					9,761,688

Construction in progress as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Computers and other hardware that have not been installed	602,843	783,085
Buildings	430,442	399,543
Land	160,611	-
Office equipment and inventory	126,242	184,177
Vehicles	13,520	10,391
Others	35,114	74,563
	1,368,772	1,451,759

The estimated percentage of completion of construction in progress as of December 31, 2016 and 2015 for computers and other hardwares that have not been installed was ranging between 5.00% - 90.00% and 15.00% - 90.00%, respectively.

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18. FIXED ASSETS (continued)

Others

- a. Bank Mandiri has an Agreement on Construction; Management and Transfer (“BOT Agreement”) with PT Duta Anggada Realty Tbk. (“Duta Anggada”) based on the Deed No. 105 regarding BOT Agreement dated May 24, 1991, as amended by the Deed No. 70 Addendum I on BOT Agreement dated June 14, 1991 and No. 65 Addendum II on BOT agreement dated December 21, 2011. The agreement, among others, managed the development of two tower of 27 floors of offices by Duta Anggada, which the land is owned by Bank Mandiri. The term of the management of Tower 1 and Tower 2 by Duta Anggada ends on May 15, 2014 and May 15, 2016, respectively.

On May 19, 2014, the Bank and Duta Anggada has signed the agreement to transfer Tower 1 building to Bank Mandiri in Deed No. 43 dated May 19, 2014 regarding Temporary Utilization Agreement, in which Duta Anggada is entitled to operate the Tower 1 building up to May 15, 2016, along with the right and obligation of each party.

On May 11, 2016, the Bank has signed transfer agreement of Menara Mandiri 2 and its management of Menara Mandiri 1 from PT Duta Anggada Realty Tbk. to PT Bank Mandiri (Persero) Tbk. Currently, building management of Menara Mandiri 1 and Menara Mandiri 2 is performed by PT Bumi Daya Plaza in the form of Temporary Utilization Agreement (*Kerjasama Pemanfaatan Sementara*) from 2016 until 2021.

- b. Based on Minister of Finance of the Republic of Indonesia (PMK) No. PMK/191 dated October 15, 2015, the Group assigned registered independent appraisers to assess (revalue) its fixed asset (land).

The valuations of land are performed by the external independent appraisers, Public Appraiser Company (KJPP) Amin, Nirwan, Alfiantori and Partners (ANA) and Muttaqin, Bambang, Purwanto, Rozak, Uswatun and Partners (MBPRU). Appraisals are performed based on the Concept and General Principles of Appraisers article 17 in Indonesian Appraisal Standards year 2015.

In the fair value measurement of the land, the Independent Appraisers takes into account a market participant’s ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The valuation method used by the Independent Appraiser are market approach and cost approach.

Based on the Assessment Report from the Independent Appraisers, the value of fixed assets increased by:

Fixed assets	Fair value	Book value	Increase in value
Land	<u>28,822,150</u>	<u>2,880,116</u>	<u>25,942,034</u>

Results of revaluation of fixed assets of the Bank was approved by the Directorate General of Taxes (DGT) through the Regional Office, Head of the Large Tax payer DGT through Decree No. KEP-418/WPJ.19/2016 dated May 25, 2016 (Note 33f).

- c. Assessment in the fair value of buildings owned by the Bank only on December 31, 2015 uses the Taxable Sale Value (NJOP). NJOP is regarded as the best estimates of the fair value. On December 31, 2015, the NJOP of buildings owned by the Bank is Rp3,658,460.

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18. FIXED ASSETS (continued)

Others (continued)

- d. The value of land is based on the cost model on December 31, 2016 amounted to Rp2.879.510.

The table below presents non-financial instruments recognised at fair value based on the hierarchy used by the Bank to determine and disclose the fair value of non-financial instruments:

- (i) Level 1: Quoted prices on active markets for identical assets or liabilities;
(ii) Level 2: valuation technique in which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
(iii) Level 3: valuation techniques in which all inputs which have a significant effect on the recorded fair value that can not be observed from market data.

	December 31, 2016			Fair value
	Level 1	Level 2	Level 3	
Land	-	28,822,150	-	28,822,150

The fair value of Land for level 2 is calculated using the comparison of market price approach and estimation of income and expenses generated by the asset. The market price of the land that most closely adjusted for differences in the primary attributes such as asset size, location and usage of assets. The most significant input in this assessment approach is the assumption of the price per meter.

- e. Land rights acquired through Leasehold Certificate (“HGB”) that can be renewed will expire between 2016 and 2042. Based on past experience, the Group has the confidence to extend the HGB.
- f. On December 31, 2016, the Bank has insured fixed assets (excluding land rights, construction in progress and the leased property) to cover potential losses against fire, theft and natural disasters to PT Asuransi Adira Dinamika, PT Asuransi Dayin Mitra Tbk., PT Asuransi Himalaya Pelindung, PT Asuransi Indrapura, PT Asuransi Jasatania, PT Asuransi Jaya Proteksi, PT Asuransi Rama Satria Wibawa, PT Asuransi Ramayana Tbk, PT Asuransi Wahana Tata, PT Caraka Mulia, PT Estika Jasatama, PT Gelora Karya Jasatama, PT Krida Upaya Tunggal, PT Sarana Lindung Upaya, PT Asuransi Bosowa Periskop, PT Asuransi Umum Bumiputeramuda 1967, PT Asuransi Astra Buana, PT Asuransi Bangun Askrida, PT Asuransi Bintang, PT Asuransi Tugu Pratama, PT Central Asia Raya, PT Rama Satria Wibawa, PT Asuransi Parolamas and PT Asuransi Sinar Mas, entirety are third parties, and PT Asuransi Jasa Indonesia (Persero), PT Asuransi Jasaraharja Putera, PT Mandiri AXA General Insurance, PT Asuransi Staco Mandiri, entirety are related parties, with total sum insured approximately Rp11,892,502 (December 31, 2015: Rp8,878,933). Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.
- g. The fixed assets that have been fully depreciated but still in use by the Bank among others, office machines and printing equipment and office equipment and housing.
- h. Management also believes that there is no impairment of fixed assets as of December 31, 2016 and 2015.

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19. INTANGIBLE ASSETS

	December 31, 2016	December 31, 2015
Software	1,532,381 ^{*)}	1,492,077 ^{*)}
Goodwill	423,115	423,115
	1,955,496	1,915,192

^{*)} Net of amortisation of Rp2,257,826 and Rp1,877,989 as of December 31, 2016 and 2015.

Software is amortised over its useful lives, which is 5 years (refer to Note 2.r.i).

As of December 31, 2016 and 2015, included in the software balance are construction in progress for software amounting to Rp528,857 and Rp471,478, respectively. The estimated percentage of completion of software as of December 31, 2016 was ranging between 5.00% - 95.00% (December 31, 2015: 15.00% - 95.00%).

Goodwill arises from the difference between the cost of acquisition with the fair value of Subsidiaries's assets acquired. Goodwill is assessed regularly for impairment. As of December 31, 2016 and 2015, there are no impairment of goodwill.

20. OTHER ASSETS

	December 31, 2016	December 31, 2015
Rupiah:		
Accrued Income	3,602,766	3,297,600
Receivables from customer transactions	1,134,536	888,426
Receivables from mutual fund	374,651	626,492
Receivables from government bonds pledged as collateral	593,466	592,668
Receivables from transactions related to ATM and credit card	472,948	477,159
Receivables from policyholders	488,208	453,560
Abandoned properties - net of accumulated losses amounting to Rp870 and Rp947 as of December 31, 2016 and 2015, respectively.	145,943	149,325
Receivables from sales of marketable securities	17,680	92,688
Repossessed assets - net of accumulated losses amounting to Rp9,850 as of December 31, 2016 and 2015	11,565	11,565
Others	3,176,323	3,255,764
Total	10,018,086	9,845,247
Foreign currencies:		
Accrued Income (Note 61B.(v))	763,096	763,393
Receivables from policyholder (Note 61B.(v))	16,266	23,247
Receivable from sale of marketable securities (Note 61B.(v))	12,605	6,922
Receivables from customer transactions (Note 61B.(v))	7,451	6,802
Receivables from transactions related to ATM and credit card	2	-
Others	1,254,178	1,079,145
Total	2,053,598	1,879,509
	12,071,684	11,724,756
Less: Allowance for possible losses	(514,446)	(432,029)
Net	11,557,238	11,292,727

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20. OTHER ASSETS (continued)

Accrued income consist of interest accrued from the placement, marketable securities, government bonds, loans, fees and commissions.

Receivables from customer transactions mainly consist of receivables arising from securities transactions of its Subsidiary. As of December 31, 2016 and 2015, included in receivables from customer transactions is an impaired portfolio amounting to Rp163,200 and Rp214,365, respectively.

Receivables from mutual fund is related to receivable from securities portfolio transactions of unit-link contracts in Subsidiary's mutual fund.

Receivables related to ATM and credit card transactions consist of receivable arising from ATM transactions within ATM Bersama, Prima and Link network as well as receivables from Visa and Master Card as a result of credit card transactions.

Receivables from government bonds pledged as collateral represent receivables in relation to "repo to maturity" transaction with a counterparty, where the Bank has transferred VR0031 with nominal value of Rp600,000 and recognised a receivable equivalent to the cash value of VR0031 (refer to Note 36e). This receivable will be settled by net basis with the settlement of the corresponding liabilities of the counterparty amounting to Rp600,000 which is due on July 25, 2020.

Receivables from policyholders represent the Subsidiary's receivables from policyholders related to policyholders' premium of non unit-link products.

Receivables from sales of marketable securities are receivables from sale of marketable securities which have settlement date on January 5, 2017 and January 6, 2016, for the year ended December 31, 2016 and 2015, respectively.

Others mainly consist of inter-office accounts, various form of receivables from transaction with third parties, including clearing transactions and others.

Movement of allowance for possible losses on other assets are as follows:

	December 31, 2016	December 31, 2015
Beginning balace	432,029	251,505
Allowance during the year (Note 45)	101,957	157,382
Others*)	(19,540)	23,142
Ending balance	514,446	432,029

*) Including effect of foreign currency translation.

Management believes that the allowance for possible losses is adequate.

21. DEPOSITS FROM CUSTOMERS - DEMAND/WADIAH DEMAND DEPOSITS

a. By currency, related parties and third parties:

	December 31, 2016	December 31, 2015
Rupiah:		
Related parties (Note 55)	33,783,341	22,839,976
Third parties	90,580,286	78,390,328
Total	124,363,627	101,230,304

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21. DEPOSITS FROM CUSTOMERS - DEMAND/WADIAH DEMAND DEPOSITS (continued)

- a. By currency, related parties and third parties (continued):

	December 31, 2016	December 31, 2015
Foreign currencies:		
Related parties (Note 55)	14,946,585	15,412,209
Third parties	47,673,116	55,511,975
Total (Note 61B.(v))	62,619,701	70,924,184
	186,983,328	172,154,488

Included in demand deposits were *wadiah* deposits amounting to Rp6,860,850 and Rp5,818,708 as of December 31, 2016 and 2015, respectively.

- b. Average interest rates (cost of funds) and range of profit sharing per annum:

Average interest rates (cost of funds) per annum:

	Year ended December 31,	
	2016	2015
Rupiah	1.95%	2.07%
Foreign currencies	0.58%	0.29%

Range of profit sharing per annum on *wadiah* deposits:

Rupiah	0.72 – 0.82%	0.71% - 0.84%
Foreign currencies	0.18 – 0.82%	0.18% - 0.84%

- c. As of December 31, 2016 and 2015, demand deposits pledged as collateral for bank guarantees, loans and trade finance facilities (irrevocable Letters of Credits) were amounting to Rp5,167,638 and Rp5,323,777, respectively (Note 12B.c and 31e).

22. DEPOSITS FROM CUSTOMERS - SAVING/WADIAH SAVING DEPOSITS

- a. By currency, type, related parties and third parties:

	December 31, 2016	December 31, 2015
Rupiah:		
Related parties (Note 55)		
Mandiri Saving Deposits	1,493,871	1,111,778
Third parties		
Mandiri Saving Deposits	244,828,147	219,154,260
Hajj Mandiri Saving Deposits	543,828	666,507
Total	246,865,846	220,932,545

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22. DEPOSITS FROM CUSTOMERS - SAVING/WADIAH SAVING DEPOSITS (continued)

- a. By currency, type, related parties and third parties (continued):

	December 31, 2016	December 31, 2015
Foreign currencies:		
Related parties (Note 55)		
Mandiri Saving Deposits	479,216	230,297
Third parties		
Mandiri Saving Deposits	29,824,762	27,788,797
Total (Note 61B.(v))	30,303,978	28,019,094
	277,169,824	248,951,639

Included in saving deposits were *wadiah* deposits amounting to Rp2,593,437 and Rp2,239,241 as of December 31, 2016 and 2015, respectively.

- b. Average interest rates (cost of funds) per annum:

	December 31, 2016	December 31, 2015
Rupiah	1.15%	1.24%
Foreign currencies	0.20%	0.20%

- c. As of December 31, 2016 and 2015, total saving pledged as collateral on loans were amounting to Rp11,034,714 and Rp7,655,250, respectively (Note 12B.c).

23. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS

- a. By currency, related parties and third parties:

	December 31, 2016	December 31, 2015
Rupiah		
Related parties (Note 55)	41,995,012	30,689,101
Third parties	169,326,512	148,221,550
Total	211,321,524	178,910,651
Foreign currencies		
Related parties (Note 55)	4,276,987	6,568,109
Third parties	22,308,567	15,747,444
Total (Note 61B.(v))	26,585,554	22,315,553
	237,907,078	201,226,204

Include in deposits from customers-time deposits are Negotiable Certificate of Deposit (NCD) amounting to Rp421,228 and Rp145,237 as of December 31, 2016 and 2015, respectively.

Total of unamortized interest expense on the certificate of time deposits as of December 31, 2016 and 2015, amounting to Rp85,772 and Rp6,763, respectively.

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23. DEPOSITS FROM CUSTOMERS - TIME DEPOSITS (continued)

b. By contract period:

	December 31, 2016	December 31, 2015
Rupiah:		
1 month	107,384,126	96,126,946
3 months	76,508,126	63,937,370
6 months	13,195,584	10,695,019
12 months	12,722,241	6,681,979
Over 12 months	1,511,447	1,469,337
Total	<u>211,321,524</u>	<u>178,910,651</u>
Foreign currencies:		
1 month	16,482,563	15,045,077
3 months	4,495,458	2,981,268
6 months	3,518,043	1,354,467
12 months	1,843,004	2,636,163
Over 12 months	246,486	298,578
Total (Note 61B.(v))	<u>26,585,554</u>	<u>22,315,553</u>
	<u>237,907,078</u>	<u>201,226,204</u>

c. By remaining period to maturity date:

	December 31, 2016	December 31, 2015
Rupiah:		
Less than 1 month	126,386,234	113,525,112
1 - 3 months	64,574,126	52,252,923
3 - 6 months	12,020,949	8,485,894
6 - 12 months	6,836,426	3,415,205
Over 12 months	1,503,789	1,231,517
Total	<u>211,321,524</u>	<u>178,910,651</u>
Foreign currencies:		
Less than 1 month	17,306,621	16,241,112
1 - 3 months	5,241,837	3,223,240
3 - 6 months	2,520,794	1,110,921
6 - 12 months	1,498,945	1,728,799
Over 12 months	17,357	11,481
Total (Note 61B.(v))	<u>26,585,554</u>	<u>22,315,553</u>
	<u>237,907,078</u>	<u>201,226,204</u>

d. Average interest rates (cost of funds) per annum:

	December 31, 2016	December 31, 2015
Rupiah	6.63%	7.77%
Foreign currencies	0.55%	1.17%

e. As of December 31, 2016 and 2015, total time deposits pledged as collateral on loans were amounting to Rp24,445,165 and Rp23,162,101, respectively (Note 12B.c).

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24. DEPOSITS FROM OTHER BANKS - DEMAND/WADIAH DEMAND AND SAVING DEPOSITS

a. By currency, related parties and third parties:

	December 31, 2016	December 31, 2015
Demand/ <i>wadiah</i> demand deposits		
Related parties (Note 55)		
Rupiah	33,835	39,729
Foreign currencies (Note 61B.(v))	12,077	30,447
	<u>45,912</u>	<u>70,176</u>
Third parties		
Rupiah	1,205,739	1,125,495
Foreign currencies (Note 61B.(v))	2,095,128	1,602,074
	<u>3,300,867</u>	<u>2,727,569</u>
Total	<u>3,346,779</u>	<u>2,797,745</u>
Saving deposits		
Third parties		
Rupiah	953,973	946,444
Foreign currencies (Note 61B.(v))	13	100
	<u>953,986</u>	<u>946,544</u>
Total	<u>4,300,765</u>	<u>3,744,289</u>

Included in deposits from other banks - demand deposits are *wadiah* deposits amounting Rp56,563 and Rp44,424 as of December 31, 2016 and 2015, respectively.

b. Average interest rates (cost of funds) and profit sharing per annum:

Average interest rates (cost of funds) per annum:

	December 31, 2016	December 31, 2015
Demand deposits/ <i>wadiah</i> demand deposit		
Rupiah	1.95%	2.07%
Foreign currencies	0.58%	0.29%
Saving deposits		
Rupiah	1.15%	1.24%
Foreign currencies	0.20%	0.20%

Range of profit sharing per annum on *wadiah* demand deposits:

Rupiah	0.72% - 0.82%	0.71 - 0.84%
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24. DEPOSITS FROM OTHER BANKS -DEMAND/WADIAH DEMAND AND SAVING DEPOSITS (continued)

- c. As of December 31, 2016 and 2015, total demand/*wadiah* demand and saving deposits from other banks pledged as collateral on loans and bank guarantees were amounting to Rp13,310 and Rp15,592, respectively (Note 12B.c and 31e).

25. DEPOSITS FROM OTHER BANKS - INTER-BANK CALL MONEY

- a. By currency:

	December 31, 2016	December 31, 2015
Related parties (Note 55)		
Rupiah	40,000	600,000
Third parties		
Rupiah	315,000	1,200,000
Foreign currencies (Note 61B.(v))	925,952	1,964,363
Total	<u>1,240,952</u>	<u>3,164,363</u>
	<u>1,280,952</u>	<u>3,764,363</u>

- b. By remaining period to maturity date:

	December 31, 2016	December 31, 2015
Rupiah		
Less than 1 month	335,000	1,800,000
More than 1 month	20,000	-
Total	<u>355,000</u>	<u>1,800,000</u>
Foreign currencies		
Less than 1 month	616,191	1,860,975
More than 1 month	309,761	103,388
Total (Note 61B.(v))	<u>925,952</u>	<u>1,964,363</u>
	<u>1,280,952</u>	<u>3,764,363</u>

- c. Average interest rates (cost of funds) per annum:

	December 31, 2016	December 31, 2015
Rupiah	5.71%	8.58%
Foreign currencies	0.27%	0.38%

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26. DEPOSITS FROM OTHER BANKS - TIME DEPOSITS

a. By currency:

	December 31, 2016	December 31, 2015
Rupiah		
Related parties (Note 55)	286,210	-
Third parties	3,336,544	4,720,928
Foreign currencies		
Third parties (Note 61B.(V))	134,725	406,657
Total	3,757,479	5,127,585

Included in deposits from customers-time deposits are Negotiable Certificate of Deposit (NCD) amounting to Rp1,898,625 and Rp1,550,767 as of December 31, 2016 and 2015, respectively.

Total of unamortized interest expenses on certificates of deposits for the year ended December 31, 2016 and 2015 amounting to Rp256,375 and Rp49,233, respectively.

b. By period:

	December 31, 2016	December 31, 2015
Rupiah:		
1 month	1,433,639	2,099,550
3 months	279,287	172,742
6 months	50,825	578,192
12 months	779,750	562,478
More than 12 months	1,079,253	1,307,966
Total	3,622,754	4,720,928
Foreign currencies		
1 month	-	137,850
12 months	-	137,850
More than 12 months	134,725	130,957
Total (Note 61B.(v))	134,725	406,657
	3,757,479	5,127,585

c. Average interest rates (cost of funds) per annum:

	December 31, 2016	December 31, 2015
Rupiah	6.63%	7.77%
Foreign currencies	0.55%	1.21%

d. As of December 31, 2016 and 2015, time deposits from other banks pledged as collateral on loans amounting to Rp86,776 and Rp94,551, respectively (Note 12B.c).

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27. LIABILITY TO UNIT-LINK HOLDERS

This account represents Subsidiary's liabilities to unit-link holders placed in unit-link investment, with details as follows:

	December 31, 2016	December 31, 2015
Non-Sharia	18,550,706	16,147,095
Sharia	1,052,244	871,954
	19,602,950	17,019,049

The details of non-sharia unit-link investments based on the type of contracts are as follows:

	December 31, 2016	December 31, 2015
Dynamic Money	9,098,972	7,531,851
Attractive Money	5,441,537	4,518,537
Progressive Money	2,139,720	2,119,308
Excellent Equity	1,159,641	1,290,405
Protected Money	373,775	394,396
Active Money	168,760	154,507
Secure Money	76,604	71,131
Fixed Money	64,170	55,850
Money Market	26,516	11,110
Prime equity	1,011	-
	18,550,706	16,147,095

The details of sharia unit-link investments based on the type of contracts are as follows:

	December 31, 2016	December 31, 2015
Attractive money sharia	887.606	741,366
Active money sharia	102.200	91,258
Amanah equity sharia	32.288	24,182
Advanced commodity sharia	30.150	15,148
	1.052.244	871,954

Underlying assets of the policyholders' investment in the above unit-link contracts are financial assets mainly consist of cash, marketable securities and Government Bonds. As of December 31, 2016 and 2015, the investment of policyholders were recorded based on each type of the financial assets in the consolidated statement of financial position.

The policyholders' non-sharia funds placed in statutory deposits as of December 31, 2016 and 2015 amounted to Rp19,715 and Rp37,500, respectively.

Included in the above policyholders' investments in unit-link contracts are policyholders' fund in foreign currency as of December 31, 2016 and 2015, it amounted to USD2,210,047 (full amount) and USD1,886,869 (full amount), respectively.

Dynamic money

This is an equity fund with underlying exposures in stocks listed in Indonesia Stock Exchange and money market instruments through mutual fund Schroder *Dana Prestasi Dinamis*.

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27. LIABILITY TO UNIT-LINK HOLDERS (continued)

Attractive money

This is an equity fund with underlying exposures in stocks and bonds listed in Indonesia Stock Exchange and money market instruments through mutual fund *Mandiri Saham Atraktif*.

Progressive money

This is a balanced fund with underlying exposures in stocks and bonds listed in Indonesia Stock Exchange and money market instruments through mutual fund Schroder *Dana Campuran Progresif*.

Excellent equity

This is an equity fund with underlying exposures in small cap equities (exclude top 20, largest capitalisation shares) traded in Indonesia Stock Exchange and money market instruments through mutual fund Mandiri Dynamic Equity.

Protected money

This is a placement of funds based on combination with investments in stocks and bonds traded on the Indonesia Stock Exchange and money market instruments with maturities less than 1 year.

Active money

This is a balanced fund with underlying exposures in stocks and bonds listed in Indonesia Stock Exchange and money market instruments through mutual fund *Mandiri Aktif*.

Secure money

Secure Money Rupiah is a fixed income fund with underlying exposures in fixed income securities listed in Indonesia Stock Exchange and money market instruments through mutual fund Schroder *Dana Obligasi Mantap*. Funding in USD has underlying exposures in fixed income securities listed in Indonesia Stock Exchange as well as foreign stock exchanges and money market instruments through mutual fund Investa *Dana Dollar Mandiri*.

Fixed money

This is a fixed income fund with underlying exposures in Indonesian Government Bonds and money market instruments through mutual fund Mandiri *Investa Dana Obligasi II*.

Money market

This is money market fund with underlying exposures in money market instrument including term deposits and fixed income securities listed in Indonesia Stock Exchange through mutual fund Mandiri *Investa Pasar Uang*.

The policyholders' funds - sharia placed in statutory deposits as of December 31, 2016 and 2015 amounted to Rp26,100 and Rp20,000, respectively.

Attractive money sharia

This is an equity fund with underlying exposures in stocks and bonds listed in Indonesia Stock Exchange and money market instruments in accordance with sharia principle through mutual fund Mandiri Saham *Syariah Atraktif*.

Active money sharia

This is a balanced fund with underlying exposures in stocks and bonds listed in Indonesia Stock Exchange and money market instruments in accordance with sharia principle through mutual fund Mandiri *Berimbang Syariah Aktif*.

Amanah equity sharia

This is an equity fund with underlying exposures in stocks listed in Indonesia Stock Exchange and money market instruments in accordance with sharia principle through mutual fund BNP Paribas *Pesona Amanah*.

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27. LIABILITY TO UNIT-LINK HOLDERS(continued)

Advanced commodity sharia

This is an equity fund with underlying exposures mainly in commodity and commodity - related stocks that listed in Indonesia Stock Exchange and money market instruments in accordance with sharia principle through mutual fund *Mandiri Komoditas Syariah Plus*.

Prime equity

Placement of funds based on combination with the investment in stocks traded in Indonesia Stock Exchange and money market instruments through mutual fund AXA Maestro Saham.

28. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

December 31, 2016						
Securities	Nominal Value	Start Date	Maturity Date	Buy Back Value	Unamortised Interest Expense	Net Value
Rupiah Related Parties						
Bonds FR0069	250,000	17/11/2016	06/01/2017	230,230	206	230,024
Third Parties						
Bonds FR0066	900,000	21/06/2013	15/05/2018	1,026,776	286,365	740,411
Bonds FR0066	900,000	21/06/2013	15/05/2018	1,026,776	286,365	740,411
Bonds FR0066	650,000	21/06/2013	15/05/2018	741,560	201,492	540,068
Bonds VR0027	622,742	20/06/2013	20/06/2018	702,888	201,555	501,333
Bonds FR0056	200,000	08/12/2016	09/01/2017	190,912	262	190,650
Bonds FR0059	200,000	21/12/2016	19/01/2017	172,864	602	172,262
Bonds FR0073	100,000	02/12/2016	12/01/2017	95,183	183	95,000
Bonds FR0061	100,000	02/12/2016	12/01/2017	87,323	168	87,155
Bonds FR0061	64,000	02/12/2016	12/01/2017	55,834	106	55,728
	3,736,742			4,100,116	977,098	3,123,018
Total	3,986,742			4,330,346	977,304	3,353,042

December 31, 2015						
Securities	Nominal Value	Start Date	Maturity Date	Buy Back Value	Unamortised Interest Expense	Net Value
Rupiah Related parties						
IDSD020316182S	300,000	29/12/2015	06/01/2016	282,321	391	281,930
IDBI200516273C	200,000	29/12/2015	06/01/2016	185,450	257	185,193
	500,000			467,771	648	467,123
Third parties						
Bonds VR0030	800,000	30/12/2015	06/01/2016	750,591	833	749,758
Bonds VR0030	800,000	30/12/2015	06/01/2016	750,554	807	749,747
Bonds FR0066	900,000	21/06/2013	15/05/2018	1,026,776	286,529	740,247
Bonds FR0066	900,000	21/06/2013	15/05/2018	1,026,776	286,529	740,247
Bonds FR0066	650,000	21/06/2013	15/05/2018	741,560	201,610	539,950
Bonds VR0027	622,742	20/06/2013	20/06/2018	702,888	201,667	501,221
Bonds VR0030	200,000	30/12/2015	06/01/2016	187,648	208	187,440
Bonds VR0030	200,000	30/12/2015	06/01/2016	187,639	201	187,438
	5,072,742			5,374,432	978,384	4,396,048
Total	5,572,742			5,842,203	979,032	4,863,171

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29. ACCEPTANCES PAYABLE

a. By currency, related parties and third parties:

	December 31, 2016	December 31, 2015
Rupiah:		
Payable to other banks		
Related parties (Note 55)	2,443,235	476,752
Third parties	5,256,264	1,607,070
Payable to debtors		
Related parties (Note 55)	7,111	41,327
Third parties	344,355	292,893
Total	8,050,965	2,418,042
Foreign currencies:		
Payable to other banks		
Related parties (Note 55)	31,362	87,377
Third parties	6,293,547	8,701,280
Payable to debtors		
Related parties (Note 55)	-	1,281
Third parties	413,370	123,293
Total (Note 61B.(v))	6,738,279	8,913,231
	14,789,244	11,331,273

b. By maturity:

	December 31, 2016	December 31, 2015
Rupiah:		
Less than 1 month	1,535,856	543,142
1 - 3 months	1,917,241	1,129,975
3 - 6 months	3,624,366	626,010
6 - 12 months	973,502	118,915
Total	8,050,965	2,418,042
Foreign currencies:		
Less than 1 month	1,847,555	2,154,980
1 - 3 months	3,358,426	3,252,351
3 - 6 months	1,485,140	2,160,479
6 - 12 months	40,484	1,345,421
More than 12 months	6,674	-
Total (Note 61B.(v))	6,738,279	8,913,231
	14,789,244	11,331,273

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30. MARKETABLE SECURITIES ISSUED

By type and currencies:

	December 31, 2016	December 31, 2015
Rupiah:		
Related parties (Note 55)		
Bonds	3,594,000	537,750
Subordinated notes sharia <i>mudharabah</i>	58,000	50,000
Medium-term notes (MTN)	10,000	-
Total	3,662,000	587,750
Third parties		
Bonds	4,669,000	1,287,250
Subordinated notes sharia <i>mudharabah</i>	317,000	450,000
Medium-term notes (MTN)	340,000	-
Mandiri travelers' cheques	72,035	77,204
Others	-	564
Total	5,398,035	1,815,018
	9,060,035	2,402,768
Less: Unamortised issuance cost	(34,041)	(4,590)
Net	9,025,994	2,398,178

Bonds

On September 30, 2016, Bank Mandiri issued Continuous Bonds I Bank Mandiri Phase I 2016 ("Continuous Bonds I Phase I") with a nominal value of Rp5,000,000 which consist of 3 (three) series:

Bonds	Nominal value	Fixed interest rate per annum	Maturity date
Series A	1,100,000	7.95%	September 30, 2021
Series B	1,500,000	8.50%	September 30, 2023
Series C	2,400,000	8.65%	September 30, 2026

The interest of Continuous Bonds I Phase I is paid quarterly, with the first payment on December 30, 2016. While the last payment of interest and also the maturity and payment date of the bonds' principal will fall on September 30, 2021 for series A; September 30, 2023 for series B; and September 30, 2026 for series C. The Trustee for Continuous Bonds I Phase I is PT Bank Tabungan Negara (Persero) Tbk.

During the validity period of the Bonds and prior to the repayment of the bonds, Bank Mandiri is under obligation to: (i) maintain at all times the Bank's financial level in good condition as regulated by FSA; (ii) maintain the bank's health level at a minimum in the composite level 3 (three) which is "Fair", according to internal assessment based upon Bank Indonesia's regulation; (iii) obtain and comply with permits and approvals (from the Government and other parties) and ensure that the Bank conform with Indonesia's rules and regulations.

Bank Mandiri, without a written consent from the Trustee will not: (i) reduce the Bank's issued and fully paid up capital except such a reduction is conducted based on regulations from the Government of Indonesia or Bank Indonesia; (ii) undergo a change in its main business; (iii) undergo merger, consolidation, or acquisitions which led to the dissolution of Bank Mandiri.

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30. MARKETABLE SECURITIES ISSUED (continued)

Bonds (continued)

The bonds are not guaranteed with specific guarantee, but guaranteed with all assets of the Bank, whether present or future, fixed or non-fixed assets in accordance with the provisions of Article 1131 and 1132 of the Indonesian Civil Law.

As of December 31, 2016, based on Pefindo's rating for Continuous Bond I Phase I is idAAA (triple A).

On October 7, 2016, the Subsidiary (PT Mandiri Tunas Finance) issued and registered Continuous Bonds III Mandiri Tunas Finance Phase I year 2016 ("Continuous Bonds III phase I") to the Indonesia Stock Exchange with a nominal value of Rp500,000 which consist of 2 (two) series:

Bonds	Nominal value	Fixed interest rate per annum	Maturity date
Series A	400,000	8.20%	October 7, 2019
Series B	100,000	8.55%	October 7, 2019

The trustee for Continuous Bonds III Mandiri Tunas Finance Phase I year 2016 is PT Bank Mega Tbk.

The trustee agreement provides several restrictive covenants that must be fulfilled by the Subsidiary, among others, providing collateral with fiduciary transfer of consumer financing receivables and maintaining debt to equity ratio to not exceed 10:1. Moreover, during the year that the bonds principals are still outstanding, the Subsidiary is not allowed, among others, to conduct merger unless performed with the same business, to sell or assign more than 50% of the Subsidiary's asset, except for Subsidiary's normal business transactions

As of December 31, 2016, based on Pefindo's rating, the rating of Continuous Bonds III Mandiri Tunas Finance Phase I is idAA+ (double A plus).

On June 1, 2016, PT Mandiri Tunas Finance issued and registered Continuous Bonds II Mandiri Tunas Finance Phase II Year 2016 ("Continuous Bonds II Phase II") to the Indonesia Stock Exchange with a nominal value of Rp1,400,000, which consist of 2 (two) series:

Bonds	Nominal value	Fixed interest rate per annum	Maturity date
Series A	720,000	8.95%	June 1, 2019
Series B	680,000	9.25%	June 1, 2021

The trustee for Continuous Bonds II Mandiri Tunas Finance Phase II year 2016 is PT Bank Mega Tbk.

On December 18, 2015, the subsidiary (PT Mandiri Tunas Finance) issued and registered continuous Bonds II PT Mandiri Tunas Finance Phase I Year 2015 ("Continuous Bonds II Phase I") to the Indonesia Stock Exchange with a nominal value of Rp600,000, which consist of 2 (two) series:

Bonds	Nominal value	Fixed interest rate per annum	Maturity date
Series A	500,000	10.20%	December 18, 2018
Series B	100,000	10.80%	December 18, 2020

The trustee for Continuous Bonds I Mandiri Tunas Finance Phase I year 2015 is PT Bank Mega Tbk.

The trustee agreement provides several restrictive covenants that must be fulfilled by the Subsidiary, among others, providing collateral with fiduciary transfer of consumer financing receivables and maintaining debt to equity ratio to not exceed 10:1. Moreover, during the year that the bonds principals are still outstanding, the Subsidiary is not allowed to, among others, merge unless performed on the same business nor to sell or assign more than 50% of the Subsidiary's asset, except for Subsidiary's normal business transactions.

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30. MARKETABLE SECURITIES ISSUED (continued)

Bonds (continued)

The rating for Continuous Bonds II PT Mandiri Tunas Finance Phase I and II based on Pefindo's rating as of December 31, 2016 is idAA+ (double A plus) and as of December 31, 2015 is idAA (double A).

On June 9, 2015, the Subsidiary (PT Mandiri Tunas Finance) issued and registered Mandiri Tunas Finance Continuous Bonds I phase III Year 2015 ("Continuous Bonds I phase III") at the Indonesian Stock Exchange with a nominal value of Rp150,000 as follows:

<u>Bonds</u>	<u>Nominal value</u>	<u>Fixed interest rate per annum</u>	<u>Maturity date</u>
Continuous Bonds I Phase III	150,000	9.75%	June 9, 2018

The trustee for the Continuous Bonds I Mandiri Tunas Finance Phase III 2015 is PT Bank Mega Tbk.

On May 23, 2014, the Subsidiary (PT Mandiri Tunas Finance) issued and registered Continuous Bonds I Mandiri Tunas Finance Phase II year 2014 ("Continuous Bonds I Phase II") to the Indonesia Stock Exchange with a nominal value of Rp600,000, which consists of 2 (two) series:

<u>Bonds</u>	<u>Nominal Value</u>	<u>Fixed Interest rate per annum</u>	<u>Maturity Date</u>
Series A	425,000	10.70%	May 23, 2017
Series B	175,000	10.85%	May 23, 2018

The trustee for the Continuous Bonds I Mandiri Tunas Finance Phase II year 2014 is PT Bank Mega Tbk.

On June 5, 2013, the Subsidiary (PT Mandiri Tunas Finance) issued and registered Continuous Bonds I Mandiri Tunas Finance Phase I year 2013 ("Continuous Bonds I Phase I") to the Indonesia Stock Exchange with a nominal value of Rp500,000 which consist of 2 (two) series:

<u>Bonds</u>	<u>Nominal Value</u>	<u>Fixed Interest rate per annum</u>	<u>Maturity Date</u>
Seri A	425,000	7,75%	June 5, 2016
Seri B	75,000	7,80%	June 5, 2017

The trustee for the Continuous Bonds I Mandiri Tunas Finance Phase I 2013 is PT Bank Mega Tbk.

The trustee agreement provides several restrictive covenants that must be fulfilled by the Subsidiary, among others, providing collateral with fiduciary transfer of consumer financing receivables and maintaining debt to equity ratio to not exceed 10:1. Moreover, during the year that the bonds principals are still outstanding, the Subsidiary is not allowed to, among others, merge unless performed on the same business nor to sell or assign more than 50% of the Subsidiary's asset, except for the Subsidiary's normal business transactions.

Continuous Bonds I Mandiri Tunas Finance Phase I year 2013, Series A, amounting to Rp425,000 has been repaid at maturity.

The rating for Continuous Bonds I PT Mandiri Tunas Finance Phase I, II and III based on Pefindo's rating as of December 31, 2016 is idAA+ (double A plus) and as of December 31, 2015 is idAA (double A).

On December 31, 2016, all securities issued by PT Mandiri Tunas Finance are secured by consumer financing receivables amounting to Rp1,836,445 (December 31, 2015: Rp1,035,192) (Note 13f) and net investment in finance leases amounting to Rp158,555 (December 31, 2015: Rp74,811) (Note 14f).

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30. MARKETABLE SECURITIES ISSUED (continued)

Subordinated notes sharia *mudharabah*

On December 22, 2016, the Subsidiary (PT Bank Syariah Mandiri "BSM") has issued subordinated notes sharia *mudharabah* ("subnotes *mudharabah*") BSM 2016 with a nominal value of Rp375,000. Subnotes *Mudharabah* are securities issued in the form of letter recognition of long-term liabilities tenor of 7 years with the following terms and conditions:

- Profit sharing is calculated by multiplying the nisbah of BSM's subnotes *mudharabah* shareholders with revenue which is distributed and listed in the unaudited last-quarter financial statements and approved by BSM's Directors not later than 10 (ten) days before the payment date of the profit sharing.
- The distributed revenue was obtained from the financing portfolio of revenue denominated in Rupiah (blended) of BSM amounting to 7 (seven) times of the amount of subnotes *mudharabah* Funds denominated in rupiah held by the issuer, that is obtained during the one (1) quarter as listed in each unaudited BSM's financial report.
- *Nisbah* provided to the BSM subnotes *mudharabah* holders' is 27.07% per annum of the profit sharing which is paid every three (3) month.

Subnotes *mudharabah* are neither covered by a specific guarantee nor guaranteed by a third party or by the Republic of Indonesia and not included in the Bank Guarantee Program implemented by Bank Indonesia or other guarantee institution in accordance to the prevailing law and regulation and in accordance with article 17 paragraph (1) letter f of FSA Regulation No. 21/POJK.03/2014. Subnotes *mudharabah* are liability of the Subsidiary that is subordinated.

During the validity period of subnotes *mudharabah* and before the redemption of all of principal and profit sharing, BSM is obliged to: (i) maintain the CAR (Capital Adequacy Ratio) of not less than 12% (twelve percent); (ii) ensure that the subnotes *mudharabah* will not be owned by more than 50 (fifty) investors; (iii) submit to the monitoring agent as follows: the annual financial statements (audited) no later than the end of the 4th month after the financial statement date, quarterly financial statements (unaudited) not later than the end of the 1st month after the financial statement date, financial statements for the calculation of revenue sharing and BSM Health rating report and self-assessment of the implementation of Good Corporate Governance to the FSA.

BSM without written approval from the monitoring agent, will not do the following: (i) reduce the issued and paid-in capital; (ii) undergo a change in its main business; (iii) undergo a merger, consolidation, reorganization, except such changes were in accordance with regulations from the Government of Indonesia or Bank Indonesia; (iv) do a merger, consolidation, acquisition with another entity that will result in the dissolution of BSM.

Acting as the trustee of subnotes *mudharabah* year 2016 is PT Bank Mandiri (Persero) Tbk. The rating of subordinated notes year 2016 as of December 31, 2016, based on Pefindo's rating is idAA- (double A minus sharia).

On December 19, 2011, BSM issued limited offering of subnotes *mudharabah* year 2011 with a nominal value of Rp500,000. This subnotes have term of ten (10) years with the right of call option in the fifth year from the date of issuance with the following terms and conditions:

- Profit sharing is calculated by multiplying the nisbah of BSM's subnotes *nisbah* shareholders with revenue which is distributed and listed in the unaudited last-quarter financial statements and approved by BSM's Directors not later than 10 (ten) days before the payment date.
- The distributed revenue was obtained from the funding portfolio of revenue denominated in Rupiah amounting to Rp5,000,000 obtained during the 1 (one) quarter as listed in each unaudited BSM's (blended) financial report.

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30. MARKETABLE SECURITIES ISSUED (continued)

Subordinated notes sharia *mudharabah* (continued)

- *Nisbah* provided to the BSM subnotes holders' is 16.30% per annum of the profit sharing which is paid every three (3) months.

The issuance of BSM Subnotes divided into three (3) phases:

- Phase I dated December 19, 2011 with nominal amount of Rp75,000.
- Phase II dated December 19, 2011 with nominal amount of Rp275,000.
- Phase III dated December 19, 2011 with nominal amount of Rp150,000.

Subnotes are neither covered by a specific collateral nor guaranteed by a third party or by the Republic of Indonesia and not included in the Bank Guarantee Program implemented by Bank Indonesia or other guarantee institution in accordance to with the law and regulation in force. Subnotes are obligation of the BSM that is subordinated. During the validity period of Subnotes, and before the redemption of all of principal and profit sharing, the BSM is obliged to: (i) maintain the amount of assets that are not pledged at a minimum of 150% of total liabilities; (ii) ensure that subnotes not owned by more than 49 (forty-nine) investors; (iii) submit to the monitoring agent financial information as follows: annual audited financial statements, quarterly financial statements and the financial statements used for the calculation of profit sharing and BSM health rating reports issued by Bank Indonesia.

Without written approval from the monitoring agent, BSM is not allowed to do the following: (i) reduce the issued and paid-in capital; (ii) make some changes in business field; (iii) do a merger or consolidation or reorganization, except if there was some regulation from the Government or Bank Indonesia; (iv) do a merger, consolidation, acquisition with another entity that will result to the dissolution of BSM.

The trustees of BSM's subnotes *mudharabah* year 2011 are PT Bank Mandiri (Persero) Tbk. and PT Bank CIMB Niaga Tbk.

As of December 31, 2015, the rating of BSM subnotes *mudharabah* year 2011 based on Pefindo's rating is idAA (double A).

On December 19, 2016, BSM has executed its call option right of the subnotes *mudharabah* year 2011 (subnotes BSM) amounting to Rp500,000.

Medium Term Notes (MTN)

To assist with business expansion, mainly in order to support credit financing, on November 18, 2016, the Subsidiary (PT Bank Mandiri Taspen Pos "Bank Mantap") issued Medium-Term Notes (MTN) PT Bank Mandiri Taspen Pos ("MTN Bank Mantap") amounting to Rp350,000 with an interest rate of 9.50% per annum. MTN Bank Mantap has a period of 370 days from the date of issuance, while the interest is payable on a quarterly basis with the first interest payment due on February 18, 2017.

December 31, 2016

Type	<i>Arranger</i>	Maturity date	Tenor (days)	Interest rate per annum	Nominal amount
MTN Bank Mantap	PT Mandiri Sekuritas	November 28, 2017	370	9.50%	350,000

On December 31, 2016, the rating of MTN Bank Mantap Based on Pefindo's Rating is idA + (A plus).

Bank Mandiri and its Subsidiaries have made interest payments on securities issued in accordance with the schedule of interest payments during the years ended December 31, 2016 and 2015.

During the years ended December 31, 2016 and 2015, Bank Mandiri and Subsidiaries have fulfilled the requirements stipulated in the agreement of all issued securities.

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31. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES

- a. Transactions of commitments and contingencies in the ordinary course of business of Bank Mandiri and its Subsidiaries activities that have credit risk are as follows:

	December 31, 2016	December 31, 2015
Rupiah:		
Bank guarantees issued (Note 53)	42,070,997	37,077,825
Committed unused loan facilities granted	20,843,506	22,273,685
Outstanding irrevocable letters of credit (Note 53)	3,263,998	2,426,922
Standby letters of credit (Note 53)	1,868,480	1,970,917
Total	68,046,981	63,749,349
Foreign currencies:		
Bank guarantees issued (Note 53)	32,195,287	37,433,266
Committed unused loan facilities granted	6,053,865	7,006,333
Outstanding irrevocable letters of credit (Note 53)	8,832,668	8,497,666
Standby letters of credit (Note 53)	11,296,080	10,764,808
Total	58,377,900	63,702,073
	126,424,881	127,451,422

- b. By Bank Indonesia's collectibility:

	December 31, 2016	December 31, 2015
Current	125,828,356	126,481,063
Special mention	511,293	685,904
Sub-standard	60,493	230,090
Doubtful	13,468	16,541
Loss	11,271	37,824
Total	126,424,881	127,451,422
Less: Allowance for impairment losses	(207,401)	(395,610)
Commitments and contingencies - net	126,217,480	127,055,812

- c. Movements of allowance for impairment losses on commitments and contingencies:

	December 31, 2016	December 31, 2015
Beginning balance	395,610	196,793
(Reversal)/allowance during the year	(181,459)	198,450
Others*)	(6,750)	367
Ending balance	207,401	395,610

*) Includes effect of foreign currencies translation.

Management believes that the allowance for impairment losses on commitments and contingencies is adequate.

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31. ESTIMATED LOSSES ON COMMITMENTS AND CONTINGENCIES (continued)

- d. Information in respect of classification of “non-impaired” and “impaired” is disclosed in Note 61A.
- e. Deposits from customers and deposits from other banks pledged as collateral for bank guarantee and irrevocable letters of credit as of December 31, 2016 and 2015 are amounting to Rp2,943,910 and Rp2,596,228, respectively (Notes 21c and 24c).

32. ACCRUED EXPENSES

	December 31, 2016	December 31, 2015
Interest expenses	1,234,878	969,433
Fixed asset and software procurement	1,068,211	1,073,300
Outsourcing expenses	343,986	287,102
Promotions	216,029	232,779
Employee related costs: uniform, recreation and others	35,458	67,326
Others	844,934	860,861
	3,743,496	3,490,801

Included in the fixed asset and software procurement are payables to vendors related with operational and maintenance activities for buildings, equipments, software, ATM machines and Bank’s IT System.

Others consist of accrued expenses related to fees accrued that should be paid to FSA and Bank operational activities, such as data communication costs and the cost of electricity, water and gas.

33. TAXATION

a. Prepaid taxes

	December 31, 2016	December 31, 2015
Bank Mandiri	2,421,556	4,570,305
Subsidiaries	191,151	247,091
	2,612,707	4,817,396

b. Taxes payable

	December 31, 2016	December 31, 2015
Current income taxes payable		
Bank Mandiri		
Corporate Income Tax - Article 29	558,254	1,065,696
Subsidiaries		
Corporate Income Tax - Article 29	102,693	194,096
	660,947	1,259,792

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33. TAXATION

b. Taxes payable (continued)

	December 31, 2016	December 31, 2015
Others income taxes payable		
Bank Mandiri		
Income Tax		
Article 25	-	255,893
Article 21	122,588	122,795
Article 4 (2)	277,193	256,196
Others	94,705	100,764
	<u>494,486</u>	<u>735,648</u>
Subsidiaries	<u>103,359</u>	<u>136,176</u>
	<u>597,845</u>	<u>871,824</u>
Total taxes payable	<u>1,258,792</u>	<u>2,131,616</u>

c. Tax (benefit)/expense

	Year ended December 31,	
	2016	2015
Tax expense - current:		
Bank Mandiri	4,435,708	4,932,830
Subsidiaries	653,216	615,228
	<u>5,088,924</u>	<u>5,548,058</u>
Tax (benefit)/expense - deferred:		
Bank Mandiri	(1,182,488)	(337,514)
Subsidiaries	16,366	6,488
	<u>(1,166,122)</u>	<u>(331,026)</u>
	<u>3,922,802</u>	<u>5,217,032</u>

As explained in Note 2ad, income tax for Bank Mandiri and its Subsidiaries are calculated for each company as a separate legal entity.

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33. TAXATION (continued)

d. Tax expense - current

The reconciliation between income before tax as shown in the consolidated statements of comprehensive income and income tax calculations and the related estimated current tax expense for Bank Mandiri and its Subsidiaries are as follows:

	Year ended December 31,	
	2016	2015
Consolidated income before tax expense and non-controlling interests	18,572,965	26,369,430
Less:		
Income before tax expense of Subsidiaries - after elimination	(2,983,934)	(1,900,221)
Impact of changes in presenting investment from equity method to cost method	735,377	230,537
Income before tax expense and non-controlling interests - Bank Mandiri only	16,324,408	24,699,746
Add/(deduct) permanent differences:		
Non-deductible expenses/(non-taxable income)	(48,829)	(1,732,048)
Others	(9,478)	8,880
Add/(deduct) temporary differences:		
Allowance for impairment losses on loans and write-offs	5,536,094	799,374
Allowance for impairment losses on financial assets other than loans	88,974	83,164
Provision for post-employment benefit expense, provisions for bonuses, leave and holiday (THR) entitlements	690,957	816,084
Unrealised gain on BOT transactions	109,141	(7,799)
Allowance for estimated losses arising from legal cases	(282,830)	33,551
Provision for estimated losses on commitments and contingencies	(177,583)	175,580
Depreciation of fixed assets	(43,015)	(228,162)
Unrealised losses/gains on decrease/increase in fair value of marketable securities and government bonds - fair value through profit or loss	(5,765)	15,779
Allowance for possible losses of abandoned properties	(3,535)	-
Estimated taxable income	22,178,539	24,664,149
Estimated tax expense - current		
Bank Mandiri only	4,435,708	4,932,830
Subsidiaries	653,216	615,228
Estimated tax expense - current	5,088,924	5,548,058

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33. TAXATION (continued)

d. Tax expense - current (continued)

The tax on Bank Mandiri and Subsidiaries (Group)'s profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits on the consolidated entities are follows:

	Year ended December 31,	
	2016	2015
Consolidated income before tax expense and noncontrolling interest	18,572,965	26,369,430
Tax calculated at applicable tax rates	4,010,865	5,368,896
Income tax effect of:		
Bank Mandiri		
- Income not subject to tax and final tax	(213,279)	(503,341)
- Expense not deductible for tax purposes	203,513	156,932
	(9,766)	(346,409)
Subsidiaries	(78,297)	194,545
Total tax effect	(88,063)	(151,864)
Income tax expense	3,922,802	5,217,032

According to the taxation laws of Indonesia, Bank Mandiri and Subsidiaries submit the Annual Corporate Income Tax Returns to the tax office on the basis of self assessment. The Directorate General of Taxation may assess or amend taxes within 5 (five) years from time when the tax becomes due.

Starting from 2009, Bank Mandiri has recognised written-off loans as deduction of gross profit by fulfilling the three requirements stipulated in UU No. 36 Year 2008 and Regulation of the Minister of Finance No. 105/PMK.03/2009 dated June 10, 2009, which was amended by Regulation of the Minister of Finance No. 57/PMK.03/2010 dated March 9, 2010.

Based on UU No. 36 Year 2008 regarding Income Tax, Government Regulation No. 81 Year 2007 dated December 28, 2007 which is subsequently replaced by Government Regulation (GR) No. 77 Year 2013 dated November 21, 2013 and GR No.56 Year 2015 dated August 3, 2015 regarding Reduction of Income Tax Rate for Listed Resident Corporate Tax Payers and Regulation of the Minister of Finance No. 238/PMK.03/2008 dated December 30, 2008 regarding Procedures for Implementing and Supervising the Granting of Reduction of Income Tax Rate for Listed Resident Corporate Tax payers, a public listed company can obtain a reduction of income tax rate by 5% lower from the highest income tax rate by fulfilling several requirements at least 40% of the total paid-up shares are listed and traded in the Indonesia Stock Exchange, the shares are owned by at least 300 parties and each party can only own less than 5% of the total paid up shares. The above requirements must be fulfilled by the tax payer at the minimum 183 (one hundred and eighty three) calendar days in a period of 1 (one) fiscal year.

Tax payer should attach the certificate from Securities Administration Agency in the Annual Corporate Income Tax return by attaching form X.H.1-6 as regulated in Bapepam-LK Regulation No. X.H.1 for each respective fiscal year.

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33. TAXATION (continued)

d. Tax expense - current (continued)

Based on Certificate No. DE/I/2017-0154 dated January 5, 2017 regarding Monthly Stock Ownerships of Publicly Listed Companies Report and the Recapitulation form No X.H. 1-2 dated December 31, 2016 from PT Datindo Entrycom (Securities Administration Agency) to Bank Mandiri, it was stated that the Bank has fulfilled the requirements to obtain the income tax rate reduction to become 20% based on GR No. 77 Year 2013 and GR No. 56 Year 2015. In accordance with Minister of Finance Regulation No. 238/PMK.03/2008, FSA (previously "Bapepam-LK") will then later submit the information regarding the fulfillment by the Bank to the Tax office. Therefore the Bank's corporate income tax for the year ended December 31, 2016 are calculated using the tax rate of 20%.

The Bank believes that it can fulfill the requirements to obtain the reduction in income tax rate for the year ended December 31, 2016.

The calculation of income tax for the year ended December 31, 2016 as described above will be the basis for filling the Annual Tax Return (SPT) of Corporate Income Tax.

e. Deferred tax assets - net

Deferred tax arises from temporary differences between book value based on commercial and tax are as follows:

	December 31, 2016			
	Beginning balance	Credited/ (charged) to consolidated statement of profit or loss and other comprehensive income	Charged to equity	Ending balance
Bank Mandiri				
Deferred tax assets:				
Loans write-off until 2008	1,248,713	(42,501)	-	1,206,212
Provision for post-employment benefit expense, provision for bonuses, leave and holiday (THR) entitlements	1,068,972	138,191	40,044	1,247,207
Allowance for impairment loan losses	1,111,707	1,149,720	-	2,261,427
Allowance for impairment losses on financial assets other than loans	426,812	17,795	-	444,607
Unrealised losses on decrease in fair value of marketable securities and government bonds (available for sale)	375,769	-	(105,624)	270,145
Allowance for estimated losses arising from legal cases	107,646	(56,566)	-	51,080
Estimated losses on commitments and contingencies	74,146	(35,517)	-	38,629
Allowance for possible losses on abandoned properties	29,819	(692)	-	29,127
Allowance for possible losses on repossessed assets	1,994	-	-	1,994
Accumulated losses arising from difference in net realisable value of repossessed assets	1,969	-	-	1,969
Unrealised losses on decrease in fair value of marketable securities and government bonds - fair value through profit or loss	4,657	(1,153)	-	3,504
Accumulated losses arising from difference in net realisable value of abandoned properties	189	(15)	-	174
Deferred tax assets	4,452,393	1,169,262	(65,580)	5,556,075
Deferred tax liabilities:				
Unrealised gain on BOT transactions	(21,828)	21,828	-	-
Net book value of fixed assets	(111,884)	(8,602)	-	(120,486)
Deferred tax assets - Bank Mandiri only	4,318,681	1,182,488	(65,580)	5,435,589
Net deferred tax assets - Subsidiaries	515,841			554,512
Total consolidated deferred tax assets - net	4,834,522			5,990,101

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33. TAXATION (continued)

e. Deferred tax assets - net (continued)

	December 31, 2015			
	Beginning balance	Credited/ (charged) to consolidated statement of profit or loss and other comprehensive income	Charged to equity	Ending balance
Bank Mandiri				
Deferred tax assets:				
Loans write-off until 2008	1,331,538	(82,825)	-	1,248,713
Provision for post-employment benefit expense, provision for bonuses, leave and holiday (THR) entitlements	963,865	163,217	(58.110)	1,068,972
Allowance for impairment loan losses	869,007	242,700	-	1,111,707
Allowance for impairment losses on financial assets other than loans	410,180	16,632	-	426,812
Unrealised losses on decrease in fair value of marketable securities and government bonds (available for sale)	139,816	-	235,953	375,769
Allowance for estimated losses arising from legal cases	100,936	6,710	-	107,646
Estimated losses on commitments and contingencies	39,030	35,116	-	74,146
Allowance for possible losses on abandoned properties	29,819	-	-	29,819
Allowance for possible losses on repossessed assets	1,994	-	-	1,994
Accumulated losses arising from difference in net realisable value of repossessed assets	1,969	-	-	1,969
Unrealised losses on decrease in fair value of marketable securities and government bonds (fair value through profit or loss)	1,501	3,156	-	4,657
Accumulated losses arising from difference in net realisable value of abandoned properties	189	-	-	189
Deferred tax assets	3,889,844	384,706	177,843	4,452,393
Deferred tax liabilities:				
Unrealised gain on BOT transactions	(20,268)	(1,560)	-	(21,828)
Net book value of fixed assets	(66,252)	(45,632)	-	(111,884)
Deferred tax assets - Bank Mandiri only	3,803,324	337,514	177,843	4,318,681
Net deferred tax assets - Subsidiaries	385,796			515,841
Total consolidated deferred tax assets - net	4,189,120			4,834,522

Deferred tax assets are calculated using applicable tax rate or substantially enacted tax rate at consolidated statement of financial position dates.

Management believes that it is possible that future taxable income will be available to be utilised against the temporary difference, which results in deferred tax assets.

f. Tax on fixed assets revaluation

According to the Regulation of the Ministry of Finance No. 191/PMK.010/2015 dated October 15, 2015, which the application related to fixed assets revaluation that was filed until the date of December 31, 2015, will receive special treatment in the form of lower final income tax of 3%. In this regard, the Bank has estimated the fair value of fixed assets (land) with nominal value amounting to Rp28,334,586 from previously Rp2,745,599. The Bank requested revaluation of fixed assets to tax office for tax purposes and the Bank has made tax payments amounting to Rp792,467 on May 25, 2016. The tax office through letter No. KEP-418/WPJ.19/2016 has approved the Bank's request.

g. Tax assessment letters

Fiscal year 2013

According to the verification result by Tax office, on December 16, 2014, Tax Office has issued Tax Underpayment Assessment Letter (SKPKB) which stated underpayment of corporate tax expense in relation to the use of tax rate for 2013 fiscal year of Rp1,313,347 (including penalties).

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33. TAXATION (continued)

g. Tax assessment letters (continued)

Fiscal year 2013 (continued)

Management disagree with the Tax Underpayment Assessment Letter and has submitted an objection letter to Tax Office dated March 10, 2015. Bank has paid all the tax underpayment amount and recorded it as prepaid tax on December 31, 2016 and 2015.

On March 7, 2016 the Tax Office has issued an objection letter rejecting the Bank's objection. The Bank has submitted an appeal over the objection letter issued to Tax Court on June 2, 2016. Until the date of this consolidated financial statement the appeal is still in progress.

Fiscal year 2010

According to the verification result by Tax Office on December 6, 2012, the Bank received Tax Underpayment Assessment Letters (SKPKB) which stated underpayments of corporate income tax related with loan write-offs and Value Added Tax (VAT) and Tax Collection Letter penalties (STP) for fiscal year 2010 totalled to Rp1,108,071.

Management disagree with the Tax Underpayment Assessment letter result and has submitted an objection letter to Tax Office dated March 4, 2013. The Bank has paid all the tax under payment and recorded it as prepaid tax as of December 31, 2016 and 2015.

On December 2013, the Tax Office has issued a decision letter to the Bank's objection letters on VAT above and partially accepted the Bank's objection, therefore the Tax office refunded a portion of prepaid tax related to VAT. The Bank disagreed with the above decision letter and has proposed an appeal for on the above decision letter to the Tax Court in March 2014.

On February 21, 2014, Tax Office has issued a decision letter to the Bank's objection letters on tax underpayment on corporate income tax and Tax Office rejected the objection. The Bank has filed an appeal against the objection decision letter to the Tax Court on May 19, 2014.

On April and May 2016, the Tax Court has uttered their decision to approve majority of the appeal submitted on the letter of objection on VAT and reject the appeal submitted on the letter of objection on income tax. The Bank disagrees with the decision and has requested for judicial review from the Supreme Court of the Republic of Indonesia on August 15, 2016. Until the date of this consolidated financial statement the judicial review is still in progress.

h. Tax collection letter

Fiscal year 2014

Based on the assessment result which was done by Tax Office on December 29, 2015, Tax Office issued Tax Collection Letter (STP) which stated underpayment of corporate tax expense for 2014 fiscal year of Rp1,459,120 and penalties of Rp233,459.

Management disagree with the STP and Bank has submitted an application letter for STP cancellation to Tax Office on December 31, 2015. Bank has paid all the tax underpayment of Rp1,459,120 and recorded it as prepaid tax. Based on the Decree of the Director General of Taxation No. KEP-00250/NKEB/WPJ.19/2016 dated February 24, 2016, the Tax Office has granted all Banks's requests and cancelled the STP.

On March 15, 2016, the Bank has proposed for compensation on tax refunds amounting to Rp1,459,120. On March 21, 2016, the Tax Office has granted a request for compensation submitted by the Bank through Decree Refund Excess Tax Payment (SKPKPP) No. KEP-00044.PPH/WPJ.19/KP.0403/2016 and Excess Tax Payment Order (SPMKP) No. 80158 / 093-0156-2016 for STP payment of VAT tax year 2010 of Rp3,248, payment of income tax Article 29 amounted to Rp855,872 and payment of income tax Article 25 in 2016 amounted to Rp600,000.

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34. EMPLOYEE BENEFIT LIABILITIES

	December 31, 2016	December 31, 2015
Rupiah		
Provision for post-employment benefit (Note 50)	2,943,664	2,411,613
Provisions for bonuses, leave and holiday entitlements	3,819,404	3,365,464
	6,763,068	5,777,077

The provision for post-employment benefit such as pension fund and other long term remuneration is according to Bank and Subsidiaries' policy which had been calculated using actuarial calculation.

35. OTHER LIABILITIES

	December 31, 2016	December 31, 2015
Rupiah:		
Liability to policy holders	3,840,894	3,486,140
Liability related to ATM and credit card transaction	1,394,196	966,227
Payable to customers	1,350,344	926,371
Guarantee deposits	851,298	1,053,344
Deferred income (directly attributable)	627,487	517,242
Liabilities related to unit-link	351,903	596,316
Deferred income (not directly attributable)	378,865	356,577
Customers transfer transaction	73,545	124,431
Payable from purchase of marketable securities	20,721	42,194
Others	3,828,689	3,442,846
Total	12,717,942	11,511,688
Foreign currencies:		
Other liabilities related to UPAS transactions	948,536	743,551
Guarantee deposits	690,140	906,797
Customers transfer transaction	485,451	64,301
Deferred income (not directly attributable)	314,444	321,721
Deferred income (directly attributable)	2,274	3,761
Others	651,249	637,593
Total (Note 61B.(v))	3,092,094	2,677,724
	15,810,036	14,189,412

Liabilities to policyholders consist of liabilities of the Subsidiaries (AXA Mandiri Financial Services, Mandiri AXA General Insurance and PT Asuransi Jiwa Indonesia InHealth) as follows:

	December 31, 2016	December 31, 2015
Future policy benefits from non unit-link products	2,053,916	1,705,778
Unearned premiums	1,211,875	1,188,453
Estimated claim liabilities	491,360	502,585
Claim payables	83,743	89,324
	3,840,894	3,486,140

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35. OTHER LIABILITIES (continued)

Payable to costumers mostly consist of debts arising from securities transactions of PT Mandiri Sekuritas (Subsidiary).

Liabilities associated with ATM and credit card transactions consists of liabilities on ATM transactions within ATM Bersama, ATM links and ATM Prima and liabilities to Visa and Master Card for credit card transactions.

Liabilities related to unit link represents unit-link liabilities to third parties and unit-link policyholders' fund liabilities of a subsidiary (AXA Mandiri Financial Services).

The guarantee deposit is a guarantee of cash deposited by customers from export, import transaction and issuance of bank guarantees.

Directly attributed unearned income consists of income from provisions/commissions of loans which directly attributable to unamortized loan.

Unearned income which is not directly attributed consists of deferred fees/commissions that are not directly related to the unamortized loan.

Purchase of securities accrued arising from the purchase of securities which was fully paid respectively on January 5, 2017 and January 5, 2016 as of December 31, 2016 and 2015.

Other liabilities on UPAS transaction is a liability to the payer bank in foreign currency related with bill of UPAS to importers.

Others mainly consist of interoffice accounts and liabilities related to trade transactions, deposit and transaction remains to be settled in the form of transfer payment transactions of customers.

36. FUND BORROWINGS

	December 31, 2016	December 31, 2015
Rupiah:		
Related parties (Note 55)		
(f) Others	-	25,178
Third parties		
(a) Ministry of Public Work and Housing (Kemenpupera)	127,236	132,948
(b) Direct off-shore loans	300,000	300,000
(e) Repo to maturity	494,301	494,301
(f) Others	4,194,807	4,237,157
	5,116,344	5,164,406
Total	5,116,344	5,189,584

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36. FUND BORROWINGS (continued)

	December 31, 2016	December 31, 2015
Foreign currencies:		
Third parties		
(b) Direct off-shore loans	18,999,531	18,730,838
(c) Bilateral loans	5,388,661	6,891,192
(d) Trade financing facilities	6,378,221	2,953,057
Total (Note 61B.(v))	30,766,413	28,575,087
	35,882,757	33,764,671

(a) Ministry of Public Work and Housing (Kemenpupera)

This account represents a Liquidity Facility of House Financing (FLPP) with sharing financing of 70.00% from Ministry of Public Work and Housing's fund and 30.00% from Bank Mandiri's fund, in accordance with the Memorandum of Understanding between the Ministry of Public Housing No. 07/SKB/M/2012 and PT Bank Mandiri (Persero) Tbk. No. DIR.MOU/003/2012 dated February 15, 2012 regarding the Amendment of Memorandum of Understanding between the Ministry of Public Housing No. 13/SKB/DP/2011 and PT Bank Mandiri (Persero) Tbk. No. DIR.MOU/015/2011 regarding the Funding Distribution of Liquidity Facility of House Financing (FLPP) in the framework of the housing procurement through the Welfare House Ownership Loan. The agreement was followed by Operational Cooperation Agreement between Public Service Center of House Financing Agency of the Ministry of Public Housing of the Republic of Indonesia in 2012, which has been renewed on 2016 with Operational Cooperation Agreement No. 13/SK.9/HK.02.04/03/2016 and No. DIR.PKS/33/2016 dated March 7 on Funding Distribution of Liquidity Facility of House Financing (FLPP) for the purpose of acquiring houses for citizens with low income.

The outstanding loan balance as of December 31, 2016 and 2015, was amounted to Rp127,236 and Rp132,948. This facility bears a certain interest from the government. The loan has a payment schedule of maximum 240 months (20 years) with the first installment start at the following month (for the fund disbursed from date of 1 until 10) and start the next two months (for the fund disbursed from date of 11 until the end of the month). The repayment (principal and interest) to Kemenpupera will be made not later than the date of 10 for each month.

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36. FUND BORROWINGS (continued)

(b) Direct off-shore loans

The details of direct off-shore loans are as follows:

	December 31, 2016	December 31, 2015
Rupiah:		
Bank of America, Singapore	300,000	300,000
Foreign currencies:		
China Development Bank, China		
- Tranche A	9,390,562	9,624,789
- Tranche B	3,684,511	4,040,859
Nomura International Plc, London	2,684,047	2,732,021
Bank of America, Hong Kong	1,549,338	1,585,275
United Overseas Bank, Singapore	1,347,250	
Agence Française de Développement, France	343,823	541,559
Asian Development Bank		
- Tranche A	-	206,335
Total	18,999,531	18,730,838
	19,299,531	19,030,838

Bank of America, Singapore

December 31, 2016

Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
<i>Bilateral loan</i>	Bank of America, Singapore	November 3, 2017	36	Fixed 9%	-	300,000

December 31, 2015

Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
Bilateral loan	Bank of America, Singapore	November 3, 2017	36	Fixed 9%	-	300,000

On October 31, 2014, Bank Mandiri obtained an unsecured loan facility from Bank of America, Singapore amounting to Rp300,000 with a fixed interest rate of 9% per year.

The loan facility has a tenor of 3 (three) years and will be matured on November 3, 2017. Bank Mandiri has drawdown on the loan facility amounting to Rp300,000 on November 5, 2014.

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36. FUND BORROWINGS (continued)

(b) Direct off-shore loans (continued)

China Development Bank, China

December 31, 2016						
Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					Original currency (full amount)	Rupiah equivalent
Tranche A (USD Currency)	China Development Bank, China	September 16, 2025	120	LIBOR (6 months) + certain margin	700,000,000	9,430,750
Less:						
Unamortised issuance costs					(2,982,932)	(40,188)
					697,017,068	9,390,562
Tranche B (CNY Currency)	China Development Bank, China	September 16, 2025	120	SHIBOR (6 months) + certain margin	1,908,420,000	3,700,789
Less:						
Unamortised issuance costs					(8,394,164)	(16,278)
					1,900,025,836	3,684,511

December 31, 2015						
Type	Arranger	Maturity Date	Tenor (months)	Interest rate per annum	Nominal amount	
					Original currency (full amount)	Rupiah equivalent
Tranche A (USD Currency)	China Development Bank, China	September 16, 2025	120	SHIBOR (6 months) + certain margin	700,000,000	9,649,500
Less:						
Unamortised issuance costs					(1,792,643)	(24,711)
					698,207,357	9,624,789
Tranche B (CNY Currency)	China Development Bank, China	September 16, 2025	120	SHIBOR (6 months) + certain margin	1,908,420,000	4,051,289
Less:						
Unamortised issuance costs					(4,913,289)	(10,430)
					1,903,506,711	4,040,859

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36. FUND BORROWINGS (continued)

(b) Direct off-shore loans (continued)

China Development Bank, China (continued)

On September 16, 2015, Bank Mandiri signed a long-term loan facility without collateral credit agreement with China Development Bank (CDB).

The loan consists of 2 (two) facilities, which Tranche A Facility is a direct loan from CDB denominated in USD with a total facility of USD700,000,000 (full amount) and will be matured in 10 (ten) years after agreement date with an interest rate of LIBOR 6 (six) monthly plus a certain margin and Tranche B is a direct loans denominated in CNY with a total facility of CNY1,908,420,000 (full amount) maturing 10 (ten) years after the agreement date with SHIBOR interest rate of six (6) months plus a certain margin. The loan was withdrawn on November 13, 2015, December 3, 2015, December 11, 2015, December 18, 2015, December 23, 2015 and December 28, 2015.

Nomura International Plc, London

December 31, 2016

Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
Bilateral loan	Nomura International Plc, London	October 17, 2017	36	LIBOR (3 bulan) + margin tertentu	200,000,000	2,694,500
Less:						
Unamortised issuance costs					(775,864)	(10,453)
					199,224,136	2,684,047

December 31, 2015

Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
Bilateral loan	Nomura International Plc, London	October 17, 2017	36	LIBOR (3 months) + certain margin	200,000,000	2,757,000
Less:						
Unamortised issuance costs					(1,812,028)	(24,979)
					198,187,972	2,732,021

On October 8, 2014, Bank Mandiri obtained a loan facility from Nomura International Plc. London amounting of USD200,000,000 (full amount) with interest rate at 3 (three) months LIBOR plus a certain margin.

This facility has a tenor of 3 (three) years and will be matured on October 17, 2017. Bank Mandiri has drawdown this loan facility of USD200,000,000 (full amount) on October 17, 2014.

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36. FUND BORROWINGS (continued)

(b) Direct off-shore loans (continued)

Nomura International Plc, London (continued)

This loan facility is secured with as follows (Note 8c):

	Nominal amount (USD full amount)	
	December 31, 2016	December 31, 2015
ROI 21	86,800,000	6,800,000
ROI 20	71,000,000	6,000,000
ROI 19	61,500,000	61,500,000
ROI 24	12,230,000	-
ROI 17	-	98,498,000
ROI 18	-	46,106,000
ROI 16	-	12,230,000

Bank of America, Hong Kong

December 31, 2016						
Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD	Rupiah
					(full amount)	equivalent
Bilateral loan	Bank of America Hong Kong	November 13, 2017	36	LIBOR (6 months) + certain margin	115,000,000	1,549,338

December 31, 2015						
Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD	Rupiah
					(full amount)	equivalent
Bilateral loan	Bank of America Hong Kong	November 13, 2017	36	LIBOR (6 months) + certain margin	115,000,000	1,585,275

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36. FUND BORROWINGS (continued)

(b) Direct off-shore loans (continued)

Bank of America, Hong Kong (continued)

On October 30, 2014, Bank Mandiri obtained a loan facility from Bank Of America, Hongkong amounting of USD115,000,000 (full amount) with interest rate at 6-months LIBOR plus a certain margin.

This loan facility has a tenor of 3 (three) years and will be matured on November 13, 2017. Bank Mandiri has drawdown on the loan facility amounting to USD115,000,000 (full amount) on November 12, 2014. As of December 31, 2016, this loan facility was secured by government bonds series VR0028 with a nominal value of Rp2,150,000 (December 31, 2015: Rp2,150,000) and ROI 19 series USD9,471,000 (full amount) (December 31, 2015: USD9,471,000 (full amount)) (Note 8c).

Agence Française de Développement, France

December 31, 2016

Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah Equivalent
Bilateral loan	Agence Française de Développement	September 30, 2018	80	LIBOR (6 months) + certain margin	4,571,429	61,589
Less:						
Unamortised issuance costs					(5,427)	(73)
					4,566,002	61,516
Bilateral loan	Agence Française de Développement	September 30, 2017	64	LIBOR (6 months) + certain margin	7,272,727	97,982
Less:						
Unamortised issuance costs					(5,540)	(75)
					7,267,187	97,907
Bilateral loan	Agence Française de Développement	March 31, 2019	82	LIBOR (6 months) + certain margin	3,928,571	52,928
Less:						
Unamortised issuance costs					(5,915)	(80)
					3,922,656	52,848
Bilateral loan	Agence Française de Développement	September 30, 2023	114	LIBOR (6 months) + certain margin	10,000,000	134,725
Less:						
Unamortised issuance costs					(235,504)	(3,173)
					9,764,496	131,552
					25,520,341	343,823

December 31, 2015

Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah Equivalent
Bilateral loan	Agence Française de Développement	March 31, 2016	64	LIBOR (6 months) + certain margin	2,727,273	37,595
Less:						
Unamortised issuance costs					(1,014)	(14)
					2,726,259	37,581

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36. FUND BORROWINGS (continued)

(b) Direct off-shore loans (continued)

Agence Française de Développement, France (continued)

December 31, 2015						
Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
Bilateral loan	Agence Française de Développement	September 30, 2018	80	LIBOR (6 months) + certain margin	6,857,143	94,526
Less:						
Unamortised issuance costs					(12,074)	(166)
					6,845,069	94,360
Bilateral loan	Agence Française de Développement	September 30, 2017	64	LIBOR (6 months) + certain margin	14,545,455	200,509
Less:						
Unamortised issuance costs					(21,915)	(302)
					14,523,540	200,207
Bilateral loan	Agence Française de Développement	March 31, 2019	82	LIBOR (6 months) + certain margin	5,500,000	75,817
Less:						
Unamortised issuance costs					(11,466)	(158)
					5,488,534	75,659
Bilateral loan	Agence Française de Développement	September 30, 2023	114	LIBOR (6 months) + certain margin	10,000,000	137,850
Less:						
Unamortised issuance costs					(297,259)	(4,098)
					9,702,741	133,752
					39,286,143	541,559

On June 17, 2010, Bank Mandiri signed a loan facility agreement with Agence Française de Développement (AFD) of USD100,000,000 (full amount) to assist the financing for projects related to climate change and energy efficiency.

This long term facility has a tenor of 5 to 10 years (including grace period) with an interest rate at 6 (six) months LIBOR plus a certain margin and will be used to finance the projects that related to the carbon emission reduction.

As part of the above loan agreement, Bank Mandiri and AFD will finance the training programs aimed to develop the Bank Mandiri's capacity, especially in relation to climate change and energy efficiency.

On December 15, 2010, the Bank drawdown the borrowing from AFD amounting to USD30,000,000 (full amount), which was matured on March 31, 2016. This borrowing was already fully paid on the maturity date.

On February 16, 2012, May 30, 2012 and May 31, 2012, the Bank drawdown the borrowing amounting to USD16,000,000 (full amount), USD40,000,000 (full amount) and USD11,000,000 (full amount), respectively, which will be matured on September 30, 2018, September 30, 2017 and March 31, 2019, respectively.

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36. FUND BORROWINGS (continued)

(b) Direct off-shore loans (continued)

Agence Française de Développement, France (continued)

The drawdown of the above facilities are intended to fulfill the fund requirement to finance the environmental friendly projects in Bank Mandiri.

On November 8, 2013, Bank Mandiri signed a second new loan facility agreement or second line of credit with AFD amounting to USD100,000,000 (full amount) to assist the financing for projects related to climate change and energy efficiency. This long term facility has a tenor of 5 to 10 years (including grace period) with an interest rate at 6-months LIBOR plus a certain margin. On March 25, 2014, the Bank has drawdown the loan amounting to USD10,000,000 (full amount), which will be matured on September 30, 2023.

Asian Development Bank

December 31, 2015						
Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
Tranche A	Asian Development Bank	October 31, 2016	84	LIBOR (6 months) + certain margin	15,000,000	206,775
Less:						
Unamortised issuance costs					(31,935)	(440)
					14,968,065	206,335

On October 30, 2009, as further amended and restated on November 13, 2009, Bank Mandiri signed a long-term credit agreement with Asian Development Bank (ADB) with a total facility amounting to USD105,000,000 (full amount).

The loan consists of 2 (two) facilities, where Tranche A Facility is a direct loan from ADB with total facility amounting to USD75,000,000 (full amount) and will be matured in 7 (seven) years after the agreement date, and Tranche B from ADB as Lender of Record is funded by commercial banks through the Participation Agreements between ADB and the commercial banks with a total facility amounting to USD30,000,000 (full amount) and will be matured in 5 (five) years after the agreement date. The loan was withdrawn on January 28, 2010. As of December 31, 2016, the Bank has repaid this loan amounting to USD105,000,000 (full amount). Tranche A and B Facilities were repaid at maturity date. As of December 31, 2016, the credit facility has been paid, there are no government bonds secured for this facility (December 31, 2015, the credit facility is secured by government bonds VR0031 series with a nominal value of Rp444,045 (Note 8c).

United Overseas Bank, Singapore

December 31, 2016						
Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
Bilateral loan	United Overseas Bank, Singapore	November 24, 2017	12	LIBOR (3 months) + certain margin	100,000,000	1,347,250

On November 9, 2016, Bank Mandiri obtained a loan facility from United Overseas Bank, Singapore of USD100,000,000 (full amount) with margin of 3 (three) months LIBOR plus certain margin.

This facility has a tenor of 1 (one) year and will mature on November 24, 2017. Bank Mandiri has drawdown this facility amounting of USD100,000,000 (full amount) on November 30, 2016.

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36. FUND BORROWINGS (continued)

(c) Bilateral loans

The details of bilateral loans are as follows:

	December 31, 2016	December 31, 2015
JP Morgan, Jakarta	5,388,661	5,512,692
Standard Chartered Bank, Jakarta	-	1,378,500
	5,388,661	6,891,192

JP Morgan, Jakarta

December 31, 2016

Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
Bilateral loan	JP Morgan, Jakarta	November 21, 2020	84	LIBOR (3 months) + certain margin	150,000,000	2,020,875
Less:						
Unamortised issuance costs					-	-
					150,000,000	2,020,875
Bilateral loan	JP Morgan, Jakarta	September 5, 2020	72	LIBOR (3 months) + certain margin	250,000,000	3,368,125
Less:						
Unamortised issuance costs					(25,142)	(339)
					249,974,858	3,367,786
					399,974,858	5,388,661

December 31, 2015

Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
Bilateral loan	JP Morgan, Jakarta	November 21, 2016	36	LIBOR (3 months) + certain margin	150,000,000	2,067,750
Less:						
Unamortised issuance costs					(33,732)	(465)
					149,966,268	2,067,285
Bilateral loan	JP Morgan, Jakarta	September 5, 2017	36	LIBOR (3 months) + certain margin	250,000,000	3,446,250
Less:						
Unamortised issuance costs					(61,123)	(843)
					249,938,877	3,445,407
					399,905,145	5,512,692

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36. FUND BORROWINGS (continued)

(c) Bilateral loans (continued)

JP Morgan, Jakarta (continued)

On November 15, 2013, the Bank obtained a loan facility from JP Morgan, Jakarta amounting to USD150,000,000 (full amount) with an interest rate at 3 months LIBOR plus a certain margin.

This loan facility has a tenor of 3 (three) years and matured on November 21, 2016. Bank Mandiri has drawdown this credit facility amounting to USD150,000,000 (full amount) on November 21, 2013. This loan facility has been extended on October 5, 2016 and will be matured on November 21, 2020.

This loan was secured by (Note 8c):

	Nominal amount	
	December 31, 2016	December 31, 2015
ORI 011*)	288,276	288,276
INDOIS 22**)	60,000,000	60,000,000
ROI 21**)	36,500,000	36,500,000
ROI 24**)	30,000,000	-
ROI 22**)	18,000,000	-
ROI 23**)	17,500,000	17,500,000
ROI 16**)	-	48,000,000

*) In million rupiah

***) In USD (full amount)

As of December 31, 2016, there are no placement on other banks secured for this facility (December 31, 2015: USD5,488,263 (full amount)) (Note 6d).

On August 20, 2014, Bank Mandiri obtained a loan facility from JP Morgan, Jakarta amounting to USD250,000,000 (full amount) with interest rate at LIBOR 3 (three) months plus a certain margin.

The loan facility has a tenor of 3 (three) years and will be matured on September 5, 2017. The Bank has drawdown on the loan facility amounting to USD250,000,000 (full amount) on September 2, 2014. This loan facility has been extended on October 5, 2016 and will be matured on September 5, 2020.

This loan was secured by (Notes 7k and 8c):

	Nominal amount	
	December 31, 2016	December 31, 2015
ORI 011*)	669,000	669,000
INDOIS 22**)	98,500,000	98,500,000
PERTAMINA 23**)	65,000,000	65,000,000
ROI 23**)	37,000,000	37,000,000
ROI 21**)	32,000,000	-
ROI 19**)	27,295,000	27,295,000
ROI 18**)	-	29,100,000

*) In million rupiah

***) In USD (full amount)

As of December 31, 2016, there are no placement on other banks secured for this facility (December 31, 2015: USD10,997,811 (full amount)) (Note 6d).

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36. FUND BORROWINGS (continued)

(c) Bilateral loans (continued)

Standard Chartered Bank, Jakarta

December 31, 2015						
Type	Arranger	Maturity date	Tenor (months)	Interest rate per annum	Nominal amount	
					USD (full amount)	Rupiah equivalent
Bilateral loan	Standard Chartered Bank, Jakarta	July 11, 2016	60	LIBOR (3 months) + certain margin	100,000,000	1,378,500

On July 4, 2011, Bank Mandiri obtained a loan facility from Standard Chartered Bank, Jakarta as amount to USD100,000,000 (full amount) with an interest rate at 3-months LIBOR plus a certain margin.

This loan facility has a tenor of 5 (five) years and matured on July 11, 2016. On July 11, 2011, Bank Mandiri has drawdown this loan facility as amount to USD100,000,000 (full amount). This loan has been fully paid at maturity date.

As of December 31, 2016, this loan was fully paid at maturity date July 11, 2016, so there was no government bonds has been secured (As of December 31, 2015, this loan facility was secured by government bonds VR0031 series with nominal value of Rp1,074,788) (Note 8c).

(d) Trade financing facilities (bankers acceptance)

Trade financing facilities represent short-term borrowings with tenors ranging between 90 days to 365 days and bear interest at LIBOR or SIBOR plus a certain margin. These borrowings are guaranteed by letters of credit issued or received by Bank Mandiri. The balance as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
United Overseas Bank Limited, Singapore	2,435,828	-
Wells Fargo Bank NA, United States	1,347,250	689,250
Bank of Montreal, Canada	1,058,938	-
CO Bank US, United States	491,477	-
Bank of New York Mellon, Singapore	471,538	344,625
Bank of America NA, Hong Kong	383,659	-
Standard Chartered Bank, Singapore	67,362	-
Citibank NA, Hong Kong	61,085	99,562
CTBC Bank Co.Ltd, Singapore	61,084	137,850
Wells Fargo Bank NA, United Kingdom	-	689,250
Bank of America NA, Singapore	-	441,120
Westpac Banking Corporation, Singapore	-	275,700
Standard Chartered Bank, New York	-	206,775
Hongkong and Shanghai Banking Corp, Hong Kong	-	68,925
	6,378,221	2,953,057

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36. FUND BORROWINGS (continued)

(e) Repo to Maturity

On October 31, 2014, Bank Mandiri signed a loan agreement amounting to Rp600,000 with the scheme of repo to maturity with Bank of America, Singapore Limited (BOA). In this transaction, Bank Mandiri transferred Government Bonds VR0031 to BOA. The amount received by Bank Mandiri related to the repo transaction represents the present value of the loan after taking into account the interest expense of the loan and interest income of the VR0031 during repo period, which amounts Rp494,301. For the transfer of Government Bonds VR0031, Bank Mandiri recognises receivable amounting cash value of VR0031 to BOA. The loan facility has a tenor of 6 (six) years and will be matured on July 25, 2020, which match with the maturity date of VR0031. On the maturity date, the transaction settlement will be made net of loan and receivable between Bank Mandiri and BOA.

On November 19, 2014, BOA sent "Transfer Notice" which stated that BOA had transferred all its rights and obligations related to loan facility under the scheme of repo to maturity to PT Asuransi Jiwa Adisarana Wanaartha.

(f) Others

	December 31, 2016	December 31, 2015
PT Bank Pan Indonesia Tbk.	2,533,041	2,504,667
PT Bank DKI	414,882	296,078
PT Bank Jabar Banten Tbk.	408,854	518,560
PT Bank KEB Hana Indonesia	400,434	355,988
PT Bank Central Asia Tbk.	170,407	426,100
PT Bank Danamon Tbk.	137,392	-
PT Bank Ina Perdana Tbk.	85,000	-
PT Bank Chinatrust Indonesia	33,302	66,549
PT Bank Commonwealth	11,495	47,090
PT Bank Negara Indonesia (Persero) Tbk.	-	25,178
Standard Chartered Bank, Jakarta	-	20,000
Bank of China, Jakarta	-	2,125
	4,194,807	4,262,335

PT Bank Pan Indonesia Tbk.

On November 12, 2012 and latest amended on September 30, 2016, the Subsidiary (PT Mandiri Tunas Finance) and PT Bank Pan Indonesia Tbk. (Panin) signed a loan agreement whereby Panin provide some non revolving term loan facilities with a total limit of Rp5,570,000 and bear a fixed interest rate. These facilities have various maturity dates ranging from March 2017 until December 2020.

On May 12, 2011, the Subsidiary (PT Mandiri Tunas Finance) and Panin also signed loan agreement whereby Panin provides a revolving money market facility with total limit of Rp200,000 and bears a floating interest rate. This agreement had been amended based on latest amendment signed on November 12, 2012 with additional facility up to Rp300,000 and maturity date was extended to May 12, 2017.

As of December 31, 2016 and 2015, borrowing from Panin was amounted to Rp2,533,041 and Rp2,504,667, respectively.

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36. FUND BORROWINGS (continued)

(f) Others (continued)

PT Bank DKI

On September 17, 2013 and the latest on July 26, 2016, the Subsidiary (PT Mandiri Tunas Finance) and PT Bank DKI (Bank DKI) signed a loan agreement whereby the Bank DKI provides several non revolving term loan facilities with a total facility of Rp775,000 and bears a fixed interest rate. These facilities have various maturity dates ranging between January 2017 until December 2019.

On July 26, 2016, the Subsidiary (PT Mandiri Tunas Finance) and Bank DKI signed a loan agreement where the Bank DKI provides money market facility with a limit of 100,000 revolving and bears floating interest rate. The facility will mature on July 26, 2017.

As of December 31, 2016 and 2015, borrowing from Bank DKI was amounted to Rp414,882 and Rp296,078, respectively.

PT Bank Jabar Banten Tbk.

On April 22, 2014, and latest amended on October 27, 2016, the Subsidiary (PT Mandiri Tunas Finance) and PT Bank Jabar Banten Tbk. (BJB) signed a loan agreement whereby BJB provide some non revolving term loan facilities with a total limit of Rp1,225,000 and bear a fixed interest rate. These facilities have various maturity dates ranging from March 2017 until June 2019.

As of December 31, 2016 and 2015, borrowing from BJB amounted to Rp408,854 and Rp518,560, respectively.

PT Bank KEB Hana Indonesia

On March 19, 2015 and the latest on May 23, 2016, the Subsidiary (PT Mandiri Tunas Finance) and PT Bank KEB Indonesia Hana (Hana) signed a loan agreement where Hana provides money market facilities with a total facility of Rp600,000 non revolving and bears a fixed interest rate. These facility have various maturity dates which is ranging from March 2018 until June 2019.

As of December 31, 2016 and 2015, loans from Hana amounted to Rp400,434 and Rp355,988, respectively.

PT Bank Central Asia Tbk.

On March 7, 2001, the Subsidiary (PT Mandiri Tunas Finance) and PT Bank Central Asia Tbk. (BCA) signed a loan agreement where BCA provides a revolving overdraft facility and bears a floating interest rate. This agreement had been amended based on latest agreement signed on March 24, 2011 with additional facility up to Rp55,000 and latest amendment of this facility was on March 8, 2016. This facility will be matured on March 12, 2017.

On July 19, 2013 and the latest on March 8, 2016, the Subsidiary (PT Mandiri Tunas Finance) and BCA also entered into several loan agreements where BCA provides some non revolving term loan facilities with a total limit of Rp1,000,000 and bears a fixed interest rate. These facilities have various maturity dates which ranging between March 2017 until June 2017.

On June 11, 2013 and the latest on March 30, 2015, the Subsidiary (PT Mandiri Tunas Finance) and BCA signed a loan agreement whereby BCA provides revolving money market facility with a limit of Rp300,000 and bears a floating interest rate. The facility will be matured on March 12, 2017.

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36. FUND BORROWINGS (continued)

(f) Others (continued)

PT Bank Central Asia Tbk. (continued)

On February 25, 2013, the Subsidiary (PT Mandiri Sekuritas) entered into banking facility agreement with BCA, whereby the Subsidiary obtained multifacility banking arrangement with a total of Rp200,000. Currently the multifacility has been increased to Rp250,000. This facility used money market line facility for working capital, bank guarantee facility, and foreign exchange line to anticipate the fluctuation of foreign currency exchange. The interest under this facility is determined based on agreed interest rate of the drawdown of the facility. The facility will be matured on February 22, 2017.

As of December 31, 2016 and 2015, borrowing from BCA amounted to Rp170,407 and Rp426,100, respectively.

PT Bank Danamon Tbk.

On May 20, 2010, the Subsidiary (PT Mandiri Tunas Finance) and PT Bank Danamon Tbk. (Danamon) signed a loan agreement where the Bank provides a term loan facility with a total facility of Rp226,806 revolving and bears a fixed interest rate and a working capital loan facility with a total facility of Rp100,000 revolving and bears a floating interest rate. These facilities have various maturity dates ranging between March 2017 until December 2019.

As of December 31, 2016 and 2015, loans from Danamon amounted to Rp137,392 and RpNil, respectively.

PT Bank Ina Perdana Tbk.

On December 28, 2016, the Subsidiary (PT Mandiri Utama Finance) and PT Bank Ina Perdana Tbk. (Bank Ina) signed a loan agreement whereby Bank Ina provides working capital facilities on liquidation basis/decreasing plafond (installments that have been paid can not be withdrawn) amounting to Rp85,000 this facility bears a fixed interest rate. The facility will be matured in December 2017.

As of December 31, 2016 and 2015, outstanding balance of this facility amounted to Rp85,000 and RpNil, respectively.

PT Bank Chinatrust Indonesia

On December 18, 2014, the Subsidiary (PT Mandiri Tunas Finance) and Bank Chinatrust (BCT) signed loan agreement whereby BCT provides several working capital non revolving term loan facilities with total limit of Rp100,000 and bear fixed interest rate. These facilities will be matured in December 2017.

As of December 31, 2016 and 2015, borrowing from BCT amounted to Rp33,302 and Rp66,549, respectively.

PT Bank Commonwealth

On March 27, 2014, the Subsidiary (PT Mandiri Tunas Finance) and PT Bank Commonwealth (Commonwealth) signed a loan agreement in which Commonwealth provides several non revolving term loan facilities with total limit of Rp69,000 and bears fixed interest rate. The facility will be matured in June 2017.

As of December 31, 2016 and 2015, borrowing from Commonwealth amounted to Rp11,495 and Rp47,090, respectively.

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36. FUND BORROWINGS (continued)

(f) Others (continued)

PT Bank Negara Indonesia (Persero) Tbk.

On November 23, 2011 and the latest on October 8, 2015, the Subsidiary (PT Mandiri Tunas Finance) and PT Bank Negara Indonesia (Persero) Tbk. (BNI) signed a joint financing agreement whereby BNI provides several revolving joint financing facilities with total limit of Rp22,934 and bear a fixed interest rate. These facilities have various maturity dates, ranging between October 2016 until November 2016. This facility has been fully repaid by the subsidiary at maturity date.

As of December 31, 2016 and 2015, borrowing from BNI was amounted to RpNil and Rp25,178, respectively.

Standard Chartered Bank, Jakarta

On July 12, 2005, the Subsidiary (PT Mandiri Sekuritas) entered into working capital facility agreement with Standard Chartered Bank (SCB). The agreement has been amended by latest addendum of agreement dated September 29, 2015, whereby the Subsidiary (PT Mandiri Sekuritas) has been provided with bank guarantee facility of Rp75,000 and short-term loan facility amounted to Rp250,000. This facility will be automatically extended annually in case no changes were made on the agreement clause. Under the terms of the agreement, interest for this facility is 1% above the annual term funding rate of SCB. The subsidiary has repaid the facility on January 8, 2016.

As of December 31, 2016 and 2015, borrowing from SCB amounted to RpNil and Rp20,000, respectively.

Bank Of China, Jakarta

On November 20, 2013, the Subsidiary (PT Mandiri Tunas Finance) and Bank Of China (BOC) signed loan agreement whereby BOC provides several non revolving term loan facilities with total facility of Rp8,500 and bear fixed interest rate. These facilities matured on June 27, 2016. This loan has been fully paid by the Subsidiary.

As of December 31, 2016 and 2015, borrowing from BOC was amounted to RpNil and Rp2,125, respectively.

The loan facilities received by the Subsidiary (PT Mandiri Tunas Finance) from some banks require PT Mandiri Tunas Finance to provide written notice in terms of dividend distribution, changes in capital and shareholders, changes of directors and commissioners, changes in main business, investment and borrowing new from another bank. Under the loan agreements, PT Mandiri Tunas Finance is also required to meet the financial requirements such as the ratio of total debt to equity interest does not exceed a ratio of 10:1 and other reporting obligations.

Loans received by PT Mandiri Tunas Finance and PT Mandiri Utama Finance are secured by consumer financing receivables amounting to Rp5,693,917 as of December 31, 2016 (December 31, 2015: Rp3,798,820) (Note 13g) and net investment in finance leases amounting to Rp274,319 as of December 31, 2016 (December 31, 2015: Rp321,506) (Note 14g).

Bank Mandiri and its Subsidiaries have paid all interest for fund borrowings in accordance with the schedule of interest payments during the years ended December 31, 2016 and 2015.

During the years ended December 31, 2016 and 2015, Bank Mandiri and its Subsidiaries have fulfilled the condition and requirements set forth in the fund borrowing agreements.

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37. SUBORDINATED LOANS

By type and currency:

	December 31, 2016	December 31, 2015
Rupiah:		
Related parties (Note 55)		
Subordinated Bond Rupiah Bank Mandiri I	-	1,687,800
Third parties		
Two-Step Loans (TSL)		
(a) Nordic Investment Bank (NIB)	10,652	31,957
Subordinated Bond Rupiah Bank Mandiri I	-	1,797,200
	10,652	1,829,157
Total	10,652	3,516,957
Foreign currencies:		
Third parties		
Two-Step Loans (TSL)		
(b) Asian Development Bank (ADB)	204,780	224,710
	215,432	3,741,667
Less: Unamortized issuance costs	-	(3,964)
Net	215,432	3,737,703

(a) Nordic Investment Bank (NIB)

This account represents a credit facility obtained from Nordic Investment Bank (NIB) to the Government of the Republic of Indonesia, through the Ministry of Finance of the Republic of Indonesia, which relents the proceeds to participating banks to finance several projects in Indonesia. The detail of this facility is as follows:

Credit Facility	Purpose	Repayment Period
Nordic Investment Bank IV	To promote and finance high priority investment projects in Indonesia, primarily in the private sector, or joint Indonesian and Nordic interests.	April 15, 1997 - February 28, 2017 with the 1 st installment on August 31, 2002.

The details of credit facilities from NIB are as follow:

	December 31, 2016	December 31, 2015
Nordic Investment Bank IV (NIB IV)	10,652	31,957

The interest rates of NIB IV facility is based on floating interest rates as determined by Bank Indonesia in accordance with the prevailing average interest rates of Bank Indonesia in the last 3 (three) months.

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37. SUBORDINATED LOANS (continued)

(b) Asian Development Bank (ADB)

This account represents a credit facility from Asian Development Bank (ADB) to the Government of the Republic of Indonesia, through the Ministry of Finance of the Republic of Indonesia, which are relented to participating banks to finance several projects in Indonesia. The detail of this facility is as follows:

<u>Credit Facility</u>	<u>Purpose</u>	<u>Repayment Period</u>
ADB 1327 - INO (SF)	To finance Micro Credit Project (PKM).	January 15, 2005 - July 15, 2029 with 1 st installment on January 15, 2005.

The details of credit facilities from ADB are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
ADB Loan 1327 - INO (SF)	204,780	224,710

The Minister of Finance through its letter No. S-596/MK.6/2004 dated July 12, 2004, has approved the transfer of management of Micro Credit Project (PKM) of ADB loans No. 1327 - INO (SF) from Bank Indonesia to Bank Mandiri. With that approval, an amendment was made on the channeling loan agreement No. SLA-805/DP3/1995 dated April 27, 1995, which was revised by amendment No. AMA-287/SLA-805/DP3/2003 dated April 22, 2003, between the Republic of Indonesia and Bank Indonesia to the Republic of Indonesia and PT Bank Mandiri (Persero) Tbk., with amendment No. AMA-298/SLA-805/DP3/2004 dated July 16, 2004.

The ADB loans for Micro Credit Projects was granted in SDR (Special Drawing Rights) currency in amount of SDR15,872,600.44 (full amount) which required Bank Mandiri to repay in SDR currency to the Government in 50 (fifty) prorate semi-annual installments every January 15, and July 15, with the first installment paid on January 15, 2005 and will ended on July 15, 2029. The ADB loans are subject to a service charge of 1.50% per annum which is charged on every January 15, and July 15, every year starting from its drawdown.

Subordinated Bond Rupiah Bank Mandiri I 2009

In order to strengthen the capital structure and support the loan expansion, on December 14, 2009, Bank Mandiri has issued subordinated bond Rupiah Bank Mandiri I 2009 (subordinated bond) amounting to Rp3,500,000. The proceeds from the issuance of subordinated bond is treated as lower tier 2 capital in accordance with regulation of Bank Indonesia. As of December 31, 2016, the unamortised issuance cost of subordinated bond is amounting to RpNil (December 31, 2015: Rp3,964).

The subordinated bond has obtained an approval from Bank Indonesia through the letter No. 11/III/DPB1/TPB1-1 dated December 14, 2009 and became effective through the letter of Chairman of FSA (formerly Capital Market & Financial Institutions Supervisory Agency (Bapepam and LK)), No. S-10414/BL/2009 dated December 3, 2009.

Bank Mandiri had listed the subordinated bond at the Indonesia Stock Exchange (BEI) on December 14, 2009, based on announcement from BEI on December 11, 2009. The subordinated bond has tenor of 7 (seven) years and will mature on December 11, 2016, issued as scripless trading with a fixed coupon rate of 11.85% per annum. The trustee for the subordinated bond issued is PT Bank Permata Tbk.

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37. SUBORDINATED LOANS (continued)

Subordinated Bond Rupiah Bank Mandiri I 2009 (continued)

The interest on the subordinated bond are paid quarterly, with the first interest payment date on March 11, 2010 and the last payment date including the maturity date of the subordinated bond on December 11, 2016. The Bank has paid the interest of subordinated bond in accordance to the interest payment schedule.

This subordinated bonds has been repaid at maturity. There was no breach to the covenant of trusteeship agreement of subordinated bond until maturity date on December 11, 2016 and for the year ended December 31, 2015.

As of December 31, 2015, the rating of the subordinated bond based on Pefindo was idAA+ (double A Plus).

38. TEMPORARY SYIRKAH FUNDS

Temporary *Syirkah* funds consists of:

a. Deposits from Customers

1) Demand Deposits

	December 31, 2016	December 31, 2015
Rupiah		
Third parties		
Demand deposits - <i>Mudharabah Musytarakah</i>	6,582	10,501
Demand deposits - restricted investment	62,343	1,001
	68,925	11,502

The demand deposits - restricted investment are deposit from third parties which will receive return from Subsidiary's restricted investment based on the agreed share (*nisbah*) of the Subsidiary's revenue.

2) Saving Deposits

a. Based on type:

	December 31, 2016	December 31, 2015
Related parties (Note 55)		
<i>Mudharabah</i> saving deposits - unrestricted investment		
BSM saving deposits	20,331	217,264
<i>Mabrur</i> saving deposits	78	112
<i>Investa Cendekia</i> saving deposits	35	288
<i>Berencana</i> BSM saving deposits	380	310
Institution <i>Mudharabah</i> saving deposits	7,223	10,085
	28,047	228,059

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38. TEMPORARY SYIRKAH FUNDS

a. Deposits from Customers (continued)

2) Saving Deposits (continued)

a. Based on type (continued):

	December 31, 2016	December 31, 2015
Third parties		
Saving deposits - restricted investment	1,497,199	1,057,746
<i>Mudharabah</i> saving deposits - unrestricted investment		
BSM saving deposits	19,216,285	17,541,960
<i>Mabrur</i> saving deposits	3,696,282	3,318,723
<i>Investa Cendekia</i> saving deposits	362,313	361,059
<i>Berencana</i> BSM saving deposits	151,207	158,014
Retirement saving deposits	206,047	89,900
<i>Qurban</i> saving deposits	410	429
<i>Al-Washilyah</i> Mandiri saving deposits	-	1
	25,129,743	22,527,832
	25,157,790	22,755,891

The saving deposits - restricted investment represent deposit from third parties which will receive return from Subsidiary's restricted investment based on the agreed share (*nisbah*) of the Subsidiary's revenue.

The *Mudharabah* saving deposits - unrestricted investment represent third parties' deposits which will receive return from Subsidiary's investment based on the agreed share (*nisbah*) of the Subsidiary's revenue.

b. Ranging of the annual profit sharing ratio (*nisbah*) for *mudharabah* saving deposits - unrestricted investment:

	December 31, 2016	December 31, 2015
Profit sharing ratio (<i>nisbah</i>)	0.23% - 5.10%	0.22% - 5.46%

3) *Mudharabah* Time Deposit - Unrestricted Investment

	December 31, 2016	December 31, 2015
Rupiah		
Related parties (Note 55)	880,201	195,996
Third parties	29,849,505	27,228,698
Total	30,729,706	27,424,694

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38. TEMPORARY SYIRKAH FUNDS (continued)

a. Deposits from Customers (continued)

3) *Mudharabah* Time Deposit - Unrestricted Investment (continued)

	December 31, 2016	December 31, 2015
Foreign currency		
Related parties (Note 55)	6,143	242,301
Third parties	4,477,910	3,620,542
Total	4,484,053	3,862,843
	35,213,759	31,287,537

b. Deposits from Other Banks

	December 31, 2016	December 31, 2015
Third parties		
<i>Mudharabah</i> saving deposits - unrestricted investment	258,325	244,385
<i>Mudharabah</i> time deposits - unrestricted investment	77,589	73,548
	335,914	317,933

c. Other significant information related to the time deposits for deposits from customers and deposits from other banks

1) By contract period:

	December 31, 2016	December 31, 2015
Rupiah:		
1 month	24,575,821	20,814,126
3 months	2,436,494	3,204,667
6 months	1,326,191	1,124,115
12 months	2,468,788	2,355,334
Total	30,807,294	27,498,242
Foreign currency:		
1 month	4,155,803	3,072,455
3 months	80,483	282,518
6 months	32,298	315,341
12 months	215,470	192,529
Total	4,484,054	3,862,843
	35,291,348	31,361,085

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38. TEMPORARY SYIRKAH FUNDS (continued)

- c. Other significant information related to the time deposits for deposits from customers and deposits from other banks (continued)

- 2) By remaining period until maturity date:

	December 31, 2016	December 31, 2015
Rupiah:		
Less than 1 month	25,231,301	21,654,675
1 - 3 months	2,795,228	3,314,400
3 - 6 months	1,361,302	1,152,496
6 - 12 months	1,419,463	1,376,671
Total	<u>30,807,294</u>	<u>27,498,242</u>
Foreign currency:		
Less than 1 month	4,059,909	3,318,078
1 - 3 months	229,807	71,628
3 - 6 months	35,515	316,410
6 - 12 months	158,823	156,727
Total	<u>4,484,054</u>	<u>3,862,843</u>
	<u>35,291,348</u>	<u>31,361,085</u>

Mudharabah time deposits represent third parties' deposits which received a profit sharing return from the Subsidiary's income over utilisation of its fund based on an agreed profit sharing ratio (*nisbah*) arranged in *Mudharabah Muthlaqah* agreement.

- 3) Ranging of the Annual Profit Sharing Ratio (*nisbah*) for *Mudharabah* Time Deposits:

	December 31, 2016	December 31, 2015
Rupiah	4.06% - 6.15%	3.97% - 6.30%
Foreign currency	0.66% - 1.64%	1.15% - 1.59%

- 4) *Mudharabah* time deposits with *Mudharabah Muthlaqah* agreement that is pledged as collateral for receivables and financing amounted to Rp8,217,018 and Rp7,777,091 as of December 31, 2016 and 2015, respectively.

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39. NONCONTROLLING INTERESTS IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES

This account represents noncontrolling interests in net assets of consolidated Subsidiaries are as follows:

	December 31, 2016	December 31, 2015
PT AXA Mandiri Financial Services	1,138,819	1,068,962
PT Mandiri Tunas Finance	722,323	574,592
PT Bank Mandiri Taspen Pos ("Bank Mantap")	458,658	294,599
PT Asuransi Jiwa InHealth Indonesia	277,011	268,778
PT Mandiri Axa General Insurance	197,425	172,000
PT Mandiri Utama Finance	121,302	42,395
PT Mandiri Sekuritas	145	124
PT Mandiri Capital Indonesia	102	101
	2,915,785	2,421,551

40. SHARE CAPITAL

a. Authorised, Issued and Fully Paid Capital

The Bank's authorised, issued and fully paid capital as of December 31, 2016 and 2015, respectively, are as follows:

	December 31, 2016			Percentage of ownership
	Number of shares	Nominal value per Share (full amount)	Share value (full amount)	
Authorised Capital				
Share series A Dwiwarna	1	500	500	0.00%
Common shares series B	31,999,999,999	500	15,999,999,999,500	100.00%
Total Authorised Capital	32,000,000,000		16,000,000,000,000	100.00%
Issued and Fully Paid Capital				
Share series A Dwiwarna Republic of Indonesia	1	500	500	0,00%
Common share series B Republic of Indonesia Management:	13,999,999,999	500	6,999,999,999,500	60.00%
Sulaiman Arif Arianto	190,029	500	95,014,500	0.00%
Ogi Prastomiyono	485,500	500	242,750,000	0.00%
Pahala N. Mansury	816,500	500	408,250,000	0.01%
Hery Gunardi	171,500	500	85,750,000	0.00%
Tardi	462,500	500	231,250,000	0.00%
Ahmad Siddik Badruddin	498,300	500	249,150,000	0.00%
Kartini Sally	180,000	500	90,000,000	0.00%
Royke Tumilaar	51,000	500	25,500,000	0.00%
Public (less than 5% each)	9,330,478,004	500	4,665,239,002,000	39.99%
	23,333,333,333		11,666,666,666,500	100.00%

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40. SHARE CAPITAL (continued)

a. Authorised, Issued and Fully Paid Capital (continued)

The Bank's authorised, issued and fully paid capital as of December 31, 2016 and 2015, respectively, are as follows (continued):

	December 31, 2015			Percentage of ownership
	Number of shares	Nominal value per Share (full amount)	Share value (full amount)	
Authorised Capital				
Share series A Dwiwarna	1	500	500	0.00%
Common shares series B	31,999,999,999	500	15,999,999,999,500	100.00%
Total Authorised Capital	32,000,000,000		16,000,000,000,000	100.00%
Issued and Fully Paid Capital				
Share series A Dwiwarna				
Republic of Indonesia	1	500	500	0,00%
Common share series B				
Republic of Indonesia	13,999,999,999	500	6,999,999,999,500	60.00%
Management:				
Budi Gunadi Sadikin	3,500,500	500	1,750,250,000	0.02%
Sulaiman Arif Arianto	190,029	500	95,014,500	0.00%
Sentot A. Sentausa	4,350,000	500	2,175,000,000	0.02%
Ogi Prastomiyono	485,500	500	242,750,000	0.00%
Pahala N. Mansury	816,500	500	408,250,000	0.00%
Royke Tumilaar	51,000	500	25,500,000	0.00%
Hery Gunardi	171,500	500	85,750,000	0.00%
Tardi	462,500	500	231,250,000	0.00%
Ahmad Siddik Badruddin	600,000	500	300,000,000	0.00%
Kartini Sally	180,000	500	90,000,000	0.00%
Public (less than 5% each)	9,322,525,804	500	4,661,262,902,000	39.96%
	23,333,333,333		11,666,666,666,500	100.00%

Shares owned by the Board of Directors for the year ended December 31, 2016 and 2015 respectively amounted to 2,855,329 shares and 10,207,529 shares, or 0.01% and 0.04% of the total number of authorized shares.

Based on notarial deed No. 10 of Notary Sutjipto, S.H., dated October 2, 1998, the authorised capital of Bank Mandiri is amounted to Rp16,000,000 with a nominal value of Rp1,000,000 (full amount) per share.

The determination of issued and fully paid capital amounted to Rp4,000,000 by the Government of the Republic of Indonesia at the date of establishment of Bank Mandiri was carried out as follows:

1. Cash payment through Bank Indonesia amounted to Rp1,600,004.
2. Placements in shares recorded as investments in shares of the Merged Banks amounted to Rp599,999 each or totaling Rp2,399,996, through the transfer of shares of the Government of the Republic of Indonesia in each of the Merged Banks to Bank Mandiri, as resolved during the respective Extraordinary General Shareholders' Meetings of the Merged Banks. Based on the agreement ("*inbreng*") notarised by Notarial Deed No. 9 of Notary Sutjipto, S.H. dated October 2, 1998, Bank Mandiri and the Government of the Republic of Indonesia agreed to transfer those shares as payment for new shares to be issued by Bank Mandiri.

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40. SHARE CAPITAL (continued)

a. Authorised, Issued and Fully Paid Capital (continued)

Based on the amendments to the Articles of Association of Bank Mandiri by virtue of Notarial Deed No. 98 of Notary Sutjipto, S.H. dated July 24, 1999, the shareholders resolved to increase the paid-in capital (share capital) of Bank Mandiri from Rp4,000,000 to Rp4,251,000 to be entirely paid by the Government of the Republic of Indonesia. The increase of Rp251,000 was a conversion from additional paid-in capital to share capital as a result of an excess from recapitalisation bonds issued under the First Recapitalisation Program as per Government Regulation No. 52 year 1999.

Based on the Extraordinary General Meeting of Shareholders resolution dated May 29, 2003, which was documented in Notarial Deed No. 142 of Notary Sutjipto, S.H., dated May 29, 2003, the shareholders approved these following matters:

- (i) Execution of Initial Public Offering.
- (ii) Changes in capital structure of Bank Mandiri.
- (iii) Changes in articles of association of Bank Mandiri.

In relation to the shareholders decision to change the capital structure, Bank Mandiri increased its issued and fully paid capital to Rp10,000,000 and split the share price (stock split) from Rp1,000,000 (full amount) per share to Rp500 (full amount) per share. Accordingly, the number of authorised shares increased from 16,000,000 shares to 32,000,000,000 shares, and the number of issued and fully paid shares increased from 10,000,000 shares with a nominal value of Rp1,000,000 (full amount) to 20,000,000,000 shares with a nominal value of Rp500 (full amount) which consists of 1 Dwiwarna share Series A and 19,999,999,999 Common shares Series B which owned by the Republic of Indonesia.

In relation to the change in capital structure of Bank Mandiri, the Extraordinary General Meeting of Shareholders also approved the allocation on part of recapitalisation fund amounting to Rp168,801,315 as share premium.

The above changes in capital structure became effective started from May 23, 2003, with the conditional requirement that the Bank should conduct a quasi-reorganisation before the end of 2003 as required in the Extraordinary General Meeting of Shareholders.

The Dwiwarna share Series A represents a share owned by the Republic of Indonesia, which is not transferrable. It provides the Republic of Indonesia with the privileges where General Meeting of Shareholders can make decision only if the Dwiwarna Series A Shareholders attend and approve certain agendas.

The agenda of General Meeting of Shareholders where the shareholder of Dwiwarna Series A are mandatory to attend and approve are:

1. Increases in capital.
2. Appointment and termination of the Boards of Directors and Commissioners.
3. Amendment of the Articles of Association.
4. Mergers, acquisitions and takeovers.
5. Dissolution and liquidation.

The changes in the capital structure were based on the Minutes of Meeting regarding the amendment of the Articles of Association (Pernyataan Keputusan Rapat Perubahan Anggaran Dasar) of PT Bank Mandiri (Persero) as notarised by Sutjipto, S.H. No. 2 dated June 1, 2003. The amendment was approved by the Ministry of Law and Human Rights of the Republic of Indonesia through Decision Letter No. C-12783.HT.01.04.TH.2003 dated June 6, 2003 and announced in Appendix No. 6590 of State Gazette of the Republic of Indonesia No. 63 dated August 8, 2003.

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40. SHARE CAPITAL (continued)

a. Authorised, Issued and Fully Paid-in Capital (continued)

The increase in issued and fully paid capital of Bank Mandiri from Rp4,251,000 to Rp10,000,000 was made through the following:

1. Partial return of fully paid capital of Rp251,000 to the Government as a part of the return of excess recapitalisation fund of Rp1,412,000 which was retained by Bank Mandiri, and an increase in paid-in capital amounting to Rp1,000,000 from the capitalisation of reserves, based on Government Regulation No. 26 year 2003 dated May 29, 2003, regarding the "Conversion of the Investment of the Republic of Indonesia into the Paid-in Capital of PT Bank Mandiri (Persero)", and Decree of the Ministry of State-Owned Enterprises, as the Bank's shareholders', No. KEP-154/M-MBU/2002 dated October 29, 2002.
2. Increase in fully paid capital of Rp5,000,000 from the additional paid-in capital based on the Decree of the Ministry of Finance of the Republic of Indonesia ("KMK RI") No. 227/202.02/2003 dated May 23, 2003 regarding "The Final Amount and Implementation of the Government's Rights Arising from the Additional Share of the Government of the Republic of Indonesia in PT Bank Mandiri (Persero) in Relation to the Commercial Banking Recapitalisation Program".

Management Stock Option Plan

Based on the Extraordinary General Meeting of Shareholders held on May 29, 2003, which was notarised by Notary Sutjipto, S.H., in notarial deed No. 142 dated May 29, 2003, the shareholders' agreed on employee stock ownership plan through an Employee Stock Allocation (ESA) Program (ESA) and a Management Stock Option Plan (MSOP). The ESA program consists of a Share Plan Bonus and a Share Purchase at Discount program. MSOP is designated for directors and senior management at certain levels and based on certain criteria. All costs and discounts related to the ESA program are recognised by the Bank through allocation of reserves. The management and execution of the ESA and MSOP programs are performed by the Board of Directors, while the supervision is performed by the Board of Commissioners.

On July 14, 2003, the Government of the Republic of Indonesia divested 4,000,000,000 shares representing 20.00% of its ownership in Bank Mandiri through an Initial Public Offering (IPO).

As a follow up action on the Government of Republic of Indonesia Regulation No. 27/2003 dated June 2, 2003, which approved the divestment of the Government ownership in Bank Mandiri of up to 30.00%, and based on a decision of *Tim Kebijakan Privatisasi Badan Usaha Milik Negara* No. Kep-05/TKP/01/2004 dated January 19, 2004, the Government of the Republic of Indonesia divested an additional 10.00% of ownership interest in Bank Mandiri or 2,000,000,000 shares of Common Shares of B Series on March 11, 2004 through private placement.

On July 14, 2003, the date of the IPO implementation, through MSOP Stage 1, the Bank issued 378,583,785 share options for the management with an exercise price of Rp742.50 (full amount) per share and a nominal value of Rp500 (full amount) per share. The share options are recorded in the Shareholders' Equity account - Share Options at fair value amounted to Rp69.71 (full amount) per share options. MSOP Stage 1 has been exercised in total 375,365,957 shares, thereby increasing the total issued and fully paid capital by Rp187,683, share premium by Rp117,193. MSOP stage 1 could be exercised until July 13, 2008 based on Announcement of Indonesia Stock Exchange (formerly Jakarta Stock Exchange) No. Peng-262/BEJ.PJS/P/07-2004 dated July 14, 2004.

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40. SHARE CAPITAL (continued)

a. Authorised, Issued and Fully Paid-in Capital (continued)

The Annual General Meeting of Shareholders on May 16, 2005 approved MSOP Stage 2 amounted to 312,000,000 share options. The exercise price for each share is Rp1,190.50 (full amount) to be exercised in the first year and Rp2,493 (full amount) to be exercised in the second year and the following year. The nominal value per share is Rp500 (full amount). The Bank recorded MSOP Stage 2 in the shareholders' equity account - Share Options with fair value amounted to Rp642.28 (full amount) per share options. MSOP Stage 2 has been exercised in total 311,713,697 shares thereby increasing the total issued and fully paid capital by Rp155,857 and share premium by Rp425,233. The fifth period (the last period) to exercise the MSOP Stage 2 conversion option right start from May 4, 2010 during 30 trading days as published in the Announcement of the Indonesia Stock Exchange (formerly Jakarta Stock Exchange) No. Peng-97/BEJ-PSJ/P/02-2007 dated February 2, 2007. The un-exercised MSOP Stage 2 stock option was 286,303 shares or amounting to Rp184 that has expired and recorded as additional paid-in capital/share premium.

The Annual General Meeting of Shareholders on May 22, 2006 approved MSOP Stage 3 amounted to 309,416,215 share options. The General Shareholders' Meeting also delegated an authority to the Board of Commissioners to determine the execution and monitoring policy of MSOP Stage 3 including the options implementation and report it in the next annual general shareholders' meeting.

The exercise price for each share in the MSOP Stage 3 is Rp1,495.08 (full amount) with nominal value of Rp500 (full amount) per share. The Bank recorded MSOP Stage 3 as part of the shareholders' equity account at fair value amounted to Rp593.89 (full amount) per share option. The total option that has been exercised in MSOP Stage 3 was 309,415,088 shares thereby increasing the total issued and fully paid capital by Rp154,707 and share premium by Rp491,651. The execution period of MSOP Stage 3 ended in February 2011, before the commencement Bank Mandiri pre-emptive rights trading dated February 14, 2011 until February 21, 2011. The un-exercised MSOP Stage 3 stock option was 1,127 shares or amounting to Rp4 that has expired and recorded as additional paid-in capital/share premium.

On December 27, 2010, Bank Mandiri submitted a first registration to FSA (formerly Capital Market Supervisory Board and Financial Institution ("Bapepam and LK")) in relation to the Limited Public Offering (LPO) to the Bank's shareholders in respect to the issuance of pre-emptive rights ("Rights") of 2,336,838,591 shares series B. The limited public offering has been approved by the Board of Commissioners through its letter dated April 29, 2010. The Bank has submitted the notification letter regarding the limited public offering to Bank Indonesia through its letter dated September 17, 2010. The limited public offering has been enacted through the Indonesian Government Regulation No. 75 of 2010 dated November 20, 2010.

LPO has been approved by Bapepam and LK through its letter No. S-807/BL/2011 dated January 27, 2011, and the LPO has become effective after obtaining approval in the Extraordinary General Shareholders Meeting held on January 28, 2011.

The pre-emptive rights of 2,336,838,591 shares were traded during the period of February 14 - 21, 2011 with an exercise price of Rp5,000 (full amount) per share which resulted in an additional of issued and paid-up capital amounted to Rp1,168,420.

b. Additional Paid-In Capital/Share Premium

The additional paid-in capital/share premium as of December 31, 2016 and 2015 amounted to Rp17,316,192 is derived from LPO and Recapitalisation Program (Note 1c) and Sale of Bank Mandiri Shareholding in UGM and BDP. The share premium amount of Rp17,316,192 already includes the share premium from LPO (Note 40a) amounted to Rp10,515,774 before deducted by expenditures related to the LPO amounted to Rp274,078. The additional share premium in 2013 amounting Rp113,817 in the consolidated financial statements (Rp273,932 in Parent Entity financial statements) is generated from the transfer of share ownership of Bank Mandiri in UGM and BDP to controlling entity, which represents the difference between selling price and book value of shares in consolidated financial statements.

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40. SHARE CAPITAL (continued)

b. Additional Paid-In Capital/Share Premium (continued)

The difference between selling price and book value of shares recorded as share premium in Parent Entity and consolidated financial statements are amounted to Rp273,932 and Rp113,817, respectively.

Based on the results of a due diligence review conducted on behalf of the Government dated December 31, 1999 and Management Contract (IMPA) dated April 8, 2000, it was decided that there was an excess on recapitalisation amounted to Rp4,069,000. The Bank has refunded Rp2,657,000 of Government Recapitalisation Bonds to the Government on July 7, 2000 pursuant to the Management Contract. The remaining balance of Rp1,412,000 was refunded to the Government on April 25, 2003 based on approval from the shareholders during its meeting on October 29, 2002 and the Ministry of State-Owned Enterprises Decision Letter No. KEP-154/M-MBU/2002 dated October 29, 2002.

The refund for above excess of recapitalisation amounted to Rp1,412,000 includes a portion of issued and fully paid capital of Rp251,000.

On May 23, 2003, the Minister of Finance of the Republic of Indonesia issued Decree ("KMK-RI") No. 227/KMK.02/2003 dated May 23, 2003, which was amended by KMK-RI No. 420/KMK.02/2003 dated September 30, 2003, which provides further guidance on Government Regulations No. 52 year 1999 and No. 97 year 1999 regarding the additional Government participation in Bank Mandiri's capital.

The following are the matters decided under the KMK-RI:

- a. The final Bank Mandiri recapitalisation amount is Rp173,801,315;
- b. The recapitalisation fund of Rp5,000,000 is converted into 5,000,000 new shares issued by Bank Mandiri with a nominal value of Rp1,000,000 (full amount) per share;
- c. The remaining recapitalisation fund amount of Rp168,801,315 is recorded as share premium within the capital structure of Bank Mandiri.

Through quasi-reorganisation, the Bank's accumulated losses as of April 30, 2003 amounted to Rp162,874,901 were eliminated against additional paid-in capital/share premium.

c. Distribution of net income

Based on the Annual General Shareholders' Meeting held on March 21, 2016 and March 16, 2015, the shareholders approved the distribution of the 2015 and 2014 net income as follows:

	2015	2014
Dividends	6,100,490	4,967,968
Retained Earnings		
Appropriated	2,277,517	2,622,936
Unappropriated	11,956,961	12,280,969
	<u>20,334,968</u>	<u>19,871,873</u>
Dividend per share (full amount)	<u>261.44958</u>	<u>212.91292</u>

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40. SHARE CAPITAL (continued)

c. Distribution of net income (continued)

Dividends from 2015 net income amounted to Rp6,100,490 were paid on April 22, 2016 and dividends from 2014 net income amounted to Rp4,967,968 were paid on April 17, 2015. Payment of dividends were recorded in the consolidated statement of changes in equity on the respective payment date.

The appropriated retained earnings for the year 2015 amounting Rp2,277,517 and the year 2014 amounting Rp2,622,936 is allocated for Bank investments purposes.

As of 30 September 2016, the Bank reclassified appropriated retained earnings into unappropriated retained earnings amounting to Rp9,299,631 to maintain a stable capital structure in order to support operational activities.

41. INTEREST INCOME AND SHARIA INCOME

Interest income and sharia income are as follow:

	Year ended December 31,	
	2016	2015
<u>Interest income</u>		
Loans	59,175,505	55,191,771
Government bonds	5,352,859	5,273,855
Marketable securities	1,833,272	1,626,369
Consumer financing income	2,007,598	1,523,637
Placements with Bank Indonesia and other banks	1,244,587	1,337,831
Others	1,531,580	1,413,196
	<u>71,145,401</u>	<u>66,366,659</u>
<u>Sharia income</u>		
<i>Murabahah</i> and <i>Istishna</i> income - net	4,048,565	3,832,690
<i>Musyarakah</i> income	1,104,685	887,760
<i>Mudharabah</i> income	362,083	364,450
<i>Ijarah</i> income - net	49,154	118,568
	<u>5,564,487</u>	<u>5,203,468</u>
	<u>76,709,888</u>	<u>71,570,127</u>

Included in interest income from loans is interest income recognised on the non-impaired portion of the impaired loans (time value unwinding) for the year ended December 31, 2016 and 2015 amounting to Rp721,979 and Rp560,920, respectively and fees and commissions income directly attributable to lending activities amortised using effective interest rate method for the year ended December 31, 2016 and 2015 amounting to Rp1,910,617 and Rp1,586,373, respectively.

As of December 31, 2016 and 2015 included in interest income and sharia income is the income from transaction with related parties on government bonds and treasury bill amounting to Rp5,490,404 and Rp5,364,814 respectively (refer to Note 55).

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42. INTEREST EXPENSE AND SHARIA EXPENSE

Interest expense and sharia expense are incurred on the following:

	Year ended December 31,	
	2016	2015
Time deposits	15,857,141	18,487,729
Saving deposits	2,932,804	2,918,599
Demand deposits	2,295,767	1,961,379
Fund borrowings	1,771,326	1,206,241
Marketable securities issued	641,132	454,181
Subordinated loans	399,916	424,118
Others	986,433	754,777
	24,884,519	26,207,024

Included in interest expense of time deposits, saving deposits, and demand deposits is expense based on sharia principle for the years ended December 31, 2016 and 2015 amounting to Rp2,338,854 and Rp2,438,112, respectively.

Included in interest expense and sharia expense above are interest expense from related parties transactions from fund borrowings for the years ended December 31, 2016 and 2015 amounting to Rp971 and Rp3,759, respectively (Note 55).

43. OTHER OPERATING INCOME - OTHERS

	Year ended December 31,	
	2016	2015
Receptions back on loans which have been written in the last period in accordance with the application of SFAS No. 55	3,480,564	3,186,074
Income from loan written-off	221,370	244,058
Income from penalty	237,825	196,154
Stamp duty income	46,122	47,275
Safety deposit box	38,749	34,954
Others	1,556,559	2,417,255
	5,581,189	6,125,770

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44. (ALLOWANCE) AND REVERSAL FOR IMPAIRMENT LOSSES

	Year ended December 31,	
	2016	2015
(Allowance)/reversal for provision of impairment losses on:		
Current accounts with other banks (Note 5d)	176	46
Placements with other banks (Note 6e)	(21,415)	26,256
Marketable securities (Note 7g)	(24,094)	(34,394)
Other receivables - trade transactions (Note 9d)	(35,085)	41,428
Securities purchased under resale agreements (Note 10c)	-	41,941
Loans (Note 12B.j)	(24,277,357)	(11,460,581)
Consumer financing receivables (Note 13d)	(455,025)	(291,624)
Net investment in lease finance (Note 14d)	(196)	2,356
Acceptance receivables (Note 15d)	(130,909)	16,822
Investments in shares (Note 16c)	(33)	(7,087)
	(24,943,938)	(11,664,837)

45. REVERSAL OF AND (PROVISION FOR) OTHER ALLOWANCES

	Year ended December 31,	
	2016	2015
Reversal for/(allowance) provision for:		
Estimated losses arising from fraud cases	(45,796)	(10,266)
Estimated losses arising from legal cases	265,390	(11,594)
Others assets (Note 20)	(101,957)	(157,382)
	117,637	(179,242)

46. UNREALISED GAINS/(LOSSES) FROM INCREASE/(DECREASE) IN FAIR VALUE OF MARKETABLE SECURITIES, GOVERNMENT BONDS AND POLICYHOLDERS INVESTMENT IN UNIT-LINK CONTRACTS

	Year ended December 31,	
	2016	2015
Marketable securities	3,505	992
Government bonds	12,133	(19,298)
Changes in market value of policyholders' investment and increase/(decrease) in liability in unit-link contracts		
- Change in market value of policyholders' investment	1,416,023	2,142,173
- Increase in liability in unit-link contracts	(1,416,023)	(2,142,173)
	15,638	(18,306)

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47. GAIN ON SALE OF MARKETABLE SECURITIES AND GOVERNMENT BONDS

	Year ended December 31,	
	2016	2015
Marketable securities		
Fair value through profit and loss	53,957	(27,760)
Available for sale	35,259	62,683
Government bonds		
Fair value through profit and loss	59,725	21,219
Available for sale	596,963	219,357
	745,904	275,499

48. SALARIES AND EMPLOYEE BENEFITS

	Year ended December 31,	
	2016	2015
Salaries, wages, pension and tax allowances	7,829,540	6,890,207
Holidays allowance, leave and related entitlements	1,444,490	1,192,666
Employee benefits in kind	1,127,755	945,705
Training and education	588,480	557,580
Provision for post-employment benefit expenses	330,895	491,225
Provision of tantiem	211,541	226,952
Bonuses and others	2,086,044	2,072,320
	13,618,745	12,376,655

Total gross salaries and allowances, bonus and tantiem, long-term employment benefits of the Boards of Commissioners, Directors, Audit Committee and Risk Monitoring, Sharia Supervisory Board and Senior Executive Vice President and Senior Vice President are amounting to Rp986,140 and Rp857,365 (Note 55) for the years ended December 31, 2016 and 2015, respectively as follows:

	Year ended December 31, 2016			
	Salaries and allowance	Bonus and tantiem	Long-term employment benefits	Total
The Board of Commissioners	53,355	72,662	3,677	129,694
Directors	143,235	242,811	16,875	402,921
Audit Committee and Risk Monitoring Committee	4,902	-	-	4,902
Sharia Supervisory Board	1,448	37	-	1,485
Senior Executive Vice Presidents and Senior Vice Presidents	269,239	160,709	17,190	447,138
	472,179	476,219	37,742	986,140

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48. SALARIES AND EMPLOYEE BENEFITS (continued)

	Year ended December 31, 2015			Total
	Salaries and allowance	Bonus and tantiem	Long-term employment benefits	
The Board of Commissioners	38,248	63,591	3,700	105,539
Directors	128,803	206,908	28,241	363,952
Audit Committee and Risk Monitoring Committee	4,364	-	-	4,364
Sharia Supervisory Board	1,246	138	-	1,384
Senior Executive Vice Presidents and Senior Vice Presidents	218,186	149,276	14,664	382,126
	390,847	419,913	46,605	857,365

49. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2016	2015
Professional fees	3,129,244	2,750,772
Rent	1,870,760	1,627,002
Goods/services provided by third parties	1,434,018	1,187,795
Depreciation of fixed assets (Note 18)	1,377,656	1,186,835
Repairs and maintenance	1,206,516	1,039,401
Promotion	1,056,241	982,701
Communication	1,055,504	1,025,079
Office supplies	559,521	518,344
Electricity, water and gas	522,339	527,356
Transportations	385,586	365,134
Amortisation of intangible assets	379,837	302,590
Traveling expenses	184,747	187,991
Insurance expenses	74,564	66,899
Others	721,678	1,031,952
Total	13,958,211	12,799,851

For the year ended December 31, 2016 and 2015, promotions expenses include the sweepstakes prize expense of third party funds amounting to Rp60,227 and Rp68,648, respectively.

50. EMPLOYEE BENEFITS

Under the Bank's policy, in addition to salaries, employees are entitled to allowances and benefits, such as holiday allowance, medical reimbursements, death allowance, leave allowance, functional allowance for certain levels, pension plan for permanent employees, incentives based on employee's and the Bank's performance, and post-employment benefits in accordance with prevailing Labor Law.

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50. EMPLOYEE BENEFITS(continued)

Pension Plan

Bank Mandiri has five pension plans in the form of Employer Pension Plans (DPPK) as follows:

- a. One defined contribution pension fund, *Dana Pensiun Pemberi Kerja Program Pensiun Iuran Pasti* (DPPK-PIIP) or Bank Mandiri Pension Plan (*Dana Pensiun Bank Mandiri* (DPBM)) which was established on August 1, 1999. The DPBM's regulations were approved by the Minister of Finance of the Republic of Indonesia through its Decision Letter No. KEP/300/KM.017/1999 dated July 14, 1999 and was published in supplement of the State Gazette of the Republic of Indonesia No. 62 dated August 3, 1999 and Bank Mandiri's Directors' Resolution No. 004/KEP.DIR/1999 dated April 26, 1999 and were amended based on the Minister of Finance of the Republic of Indonesia's Decision Letter No. KEP-213/KM.5/2005 dated July 22, 2005 and was published in the supplement of the State Gazette of the Republic of Indonesia No. 77 dated September 27, 2005 and Bank Mandiri's Directors' Resolution No. 068/KEP.DIR/2005 dated June 28, 2005.

Bank Mandiri and the employees contribute 10.00% and 5.00% of the Base Pension Plan Employee Income, respectively.

The Board of Directors and the members of the Supervisory Board of the DPBM are active employees of Bank Mandiri; therefore, in substance, Bank Mandiri has control over the DPBM. DPBM invests a part of its investment fund in Bank Mandiri time deposits and deposit on-call, of which total balance as of December 31, 2016 and 2015 were Rp8,455 and Rp198,800, respectively. The interest rates on these time deposits are given on arms-length basis.

For the years ended December 31, 2016 and 2015, the Bank has paid pension contributions amounting to Rp370,956 and Rp331,278, respectively.

- b. Four defined benefit pension funds, *Dana Pensiun Pemberi Kerja Program Pensiun Manfaat Pasti* (DPPK-PPMP) which were derived from the respective pension plans of the ex-legacy Merged Banks, namely *Dana Pensiun Bank Mandiri Satu* or DPBMS (BBD), DPBMD (BDN), DPBMT (Bank Exim) and DPBME (Bapindo). Participants of defined benefit pension plans are come from the legacy banks with three years working periods or more at the time of the merger consisting of active employees of the bank, former employees (employees who stopped working and did not transfer his rights to another pension fund) and retirees.

The regulations of the respective pension plans were approved by the Minister of Finance of the Republic of Indonesia's through its decision letters No. KEP-394/KM.017/1999, No. KEP-395/KM.017/1999, No. KEP-396/KM.017/1999 and No. KEP-397/KM.017/1999 all dated November 15, 1999. Based on the approval from shareholders No. S-923/M-MBU/2003 dated March 6, 2003, Bank Mandiri has adjusted pension benefits for each Pension Fund. Such approval has been incorporated in each of the Pension Fund's Regulations (*Peraturan Dana Pensiun (PDP)*) which have been approved by the Minister of Finance of the Republic of Indonesia based on its decision letters No. KEP/115/KM.6/2003 for PDP DPBMS, No. KEP/116/KM.6/2003 for PDP DPBMD, No. KEP/117/KM.6/2003 for PDP DPBMT, and No. KEP/118/KM.6/2003 for DPBME, all dated March 31, 2003.

Based on the decision of the General Meeting of Shareholders dated on May 28, 2007, Bank Mandiri increased the pension benefit from each of the Pension Plans. The decision was stated in each Pension Plan Regulation and has been approved by the Minister of Finance of the Republic of Indonesia with decision letter No. KEP-144/KM.10/2007 (DPBMS); No. KEP-145/KM.10/2007 (DPBMD); No. KEP-146/KM.10/2007 (DPBMT) and No. KEP-147/KM.10/2007 (DPBME), all dated July 20, 2007.

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50. EMPLOYEE BENEFITS (continued)

Pension Plan (continued)

Based on the approval of the General Meeting of Shareholders (AGM) on May 17, 2010, Bank Mandiri increased the retirement benefits of each pension fund. Decision to increase pension benefits was set forth in the Regulation of Pension Fund respectively and has been approved by the Minister of Finance Decree No. KEP-441/KM.10/2010 dated August 10, 2010 (DPBMS); No. KEP-442/KM.10/2010 dated August 10, 2010 (DPBMD); No. KEP-443/KM.10/2010 dated August 10, 2010 (DPBMT) and No. KEP-444/KM.10/2010 dated August 10, 2010 (DPBME).

Based on the approval of the General Meeting of Shareholders (AGM) on May 23, 2011, Bank Mandiri increased the retirement benefits of each pension fund. Decision to increase pension benefits was set forth in the Regulation of Pension Fund respectively and has been approved by the Minister of Finance Decree No. KEP-588/KM.10/2011 dated July 20, 2011 (DPBMS); No. KEP-589/KM.10/2011 dated July 20, 2011 (DPBMD); No. KEP-590/KM.10/2011 dated July 20, 2011 (DPBMT) and No. KEP-591/KM.10/2011 dated July 20, 2011 (DPBME).

Based on the approval of the General Meeting of Shareholders (AGM) on April 2, 2013, Bank Mandiri increased the retirement benefits of each pension fund. Decision to increase pension benefits was set forth in the Regulation of Pension Fund respectively and has been approved by the Board of Commissioners of FSA through Decree No. KEP-349/NB.1/2013 dated June 14, 2013 (DPBMS); No. KEP-350/NB.1/2013 dated June 14, 2013 (DPBMD); No. KEP-351/NB.1/2013 dated June 14, 2013 (DPBMT) and No. KEP-352/NB.1/2013 dated June 14, 2013 (DPBME).

The AGM also decided granting of another benefits as well as the delegation of authority to the Board to decide on the increase in pension benefits and other benefits to the extent consistent with applicable regulations, i.e. after the increase in pension benefits or the provision of other benefits, Adequacy Ratio Fund, DPBMS, DPBMD, DPBMT and DPBME minimum of 115%.

Based on the approval of the Board of Commissioner Meeting on July 2, 2014, Bank Mandiri gave other benefits to each pension fund. Decision to give this other benefits was set forth in the respective Regulation of Pension Fund and has been approved by the Board of Commissioners of FSA through Decree No. KEP-1773/NB.1/2014 dated July 17, 2014 (DPBMS); No. KEP-1774/NB.1/2014 dated July 17, 2014 (DPBMD); No. KEP-1775/NB.1/2014 dated July 17, 2014 (DPBMT) and No. KEP-1776/NB.1/2014 dated July 17, 2014 (DPBME).

Based on the approval of the Board of Commissioner of Bank Mandiri dated June 3, 2015, Bank Mandiri provides other benefits to each pension fund. The decision to provide other benefits was set forth in the respective Regulation of Pension Fund and has been approved by the Board of Commissioners of FSA through Decree No. KEP-525/NB.1/2015 dated June 29, 2015 (DPBMS), No. KEP-526/NB.1/2015 dated June 29, 2015 (DPBMD), No. KEP-527/NB.1/2015 (DPBMT) and No. KEP-528/NB.1/2015 dated June 29, 2015 (DPBME).

Based on the approval of the Annual General Meeting of Shareholders (AGM) on March 21, 2016 approved for the amendment the provisions for the minimum requirements Adequacy Ratio Fund (ARF), DPBMS, DPBMD, DPBMT and DPBME which the original minimum is 115% and change to the minimum of 105%, so that the delegation of authority to the Board of Commissioners related with the decision for the increment of pension benefits and other benefits to the extent where consistent with the applicable regulations, namely after the increment of pension benefits or other benefits provision, it was changed to meet the requirements at least:

1. Adequacy Ratio Fund (ARF) after their increment of Pension Benefits minimum is 105% which based on mortality tables defined by the Legal Entity as the Founder.
2. There is still surplus which does not create an additional contribution obligations and liabilities of accounting in accordance with SFAS No. 24.

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50. EMPLOYEE BENEFITS (continued)

Pension Plan (continued)

The calculation of actuarial retirement benefit liabilities for the Bank only on December 31, 2016 is based on the reports from PT Bestama Actuary as at January 5, 2017 with the Projected Unit Credit method. The calculation of actuarial retirement benefit liabilities for the Bank only on December 31, 2015 is based on the reports from PT Dayamandiri Dharmakonsilindo as at January 5, 2016 with the Projected Unit Credit method

The assumptions used for the years ended December 31, 2016 and 2015 are as follows:

	DPBMS	DPBMD	DPBMT	DPBME
Discount rate	8.50% per annum (2015: 9.50% per annum)	8.50% per annum (2015: 9.50% per annum)	8.50% per annum (2015: 9.50% per annum)	8.50% per annum (2015: 9.50% per annum)
Expected rate of return on pension plan assets	9.50% per annum	9.50% per annum	9.50% per annum	9.50% per annum
Working period used	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999	As of July 31, 1999
Pensionable salary (PhDP) used	Last month salary of July 31, 1999, which adjusted on January 1, 2003	Last month salary of July 31, 1999, which adjusted on January 1, 2003	Last month salary of July 31, 1999, which adjusted on January 1, 2003	Last month salary of July 31, 1999, which adjusted on January 1, 2003
Expected rates of PhDP increase	Nil	Nil	Nil	Nil
Mortality Rate Table	Indonesian Mortality Table 2011 (TMI III) for employee and former employee and Group Annuity Mortality 1983 (GAM '83) for pensioners	Indonesian Mortality Table 2011 (TMI III) for employee and former employee and Group Annuity Mortality 1983 (GAM '83) for pensioners	Indonesian Mortality Table 2011 (TMI III) for employee and former employee and Group Annuity Mortality 1983 (GAM '83) for pensioners	Indonesian Mortality Table 2011 (TMI III) for employee and former employee and Group Annuity Mortality 1983 (GAM '83) for pensioners
Turnover rate	5.00% for employees' age of 25 and decreasing linearly 0.167% every year up to 0% at age 55	5.00% for employees' age of 25 and decreasing linearly 0.167% every year up to 0% at age 55	5.00% for employees' age of 25 and decreasing linearly 0.167% every year up to 0% at age 55	5.00% for employees' age of 25 and decreasing linearly 0.167% every year up to 0% at age 55
Disability rate	10.00% of TMI III	10.00% of TMI III	10.00% of TMI III	10.00% of TMI III
Actuarial method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Normal retirement age	48 years to 56 years depending on the grades	56 years for all grades	56 years for all grades	56 years for all grades
Maximum defined benefit amount	80.00% of PhDP	80.00% of PhDP	62.50% of PhDP	75.00% of PhDP
Expected rate of pension benefit increase	Nil	Nil	Nil	2.00% per year
Tax rates - average	3.00% of pension benefit	3.00% of pension benefit	3.00% of pension benefit	3.00% of pension benefit

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50. EMPLOYEE BENEFITS(continued)

Pension Plan (continued)

The projected benefit obligations and fair value of plan assets as of December 31, 2016, based on independent actuarial report, are as follows:

	<u>DPBMS</u>	<u>DPBMD</u>	<u>DPBMT</u>	<u>DPBME</u>
Projected benefit obligations	(1,393,976)	(1,673,195)	(717,416)	(479,583)
Fair value of plan assets (unaudited)	<u>1,620,439</u>	<u>1,810,473</u>	<u>827,718</u>	<u>575,742</u>
Funded Status	226,463	137,278	110,302	96,159
Asset ceiling*)	<u>(226,463)</u>	<u>(137,278)</u>	<u>(110,302)</u>	<u>(96,159)</u>
Pension Plan Program Assets recognised in consolidated statement of financial position **)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*) There are no unrecognised accumulated actuarial loss-net nor unrecognised past service cost and there are no present value of available future refunds or reductions of future contributions.

**) There are no plan assets recognised in the consolidated statements of financial position because the requirements under SFAS No. 24 regarding "Employee Benefits" are not fulfilled.

The projected benefit obligations and fair value of plan assets as of December 31, 2015, based on independent actuarial report, are as follows:

	<u>DPBMS</u>	<u>DPBMD</u>	<u>DPBMT</u>	<u>DPBME</u>
Projected benefit obligations	(1,482,397)	(1,600,083)	(606,730)	(445,196)
Fair value of plan assets (unaudited)	<u>1,516,555</u>	<u>1,820,417</u>	<u>817,262</u>	<u>578,209</u>
Funded Status	34,158	220,334	210,532	133,013
Asset ceiling*)	<u>(34,158)</u>	<u>(220,334)</u>	<u>(210,532)</u>	<u>(133,013)</u>
Pension Plan Program Assets recognised in consolidated statement of financial position **)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*) There are no unrecognised accumulated actuarial loss-net nor unrecognised past service cost and there are no present value of available future refunds or reductions of future contributions.

**) There are no plan assets recognised in the consolidated statements of financial position because the requirements under SFAS No. 24 regarding "Employee Benefits" are not fulfilled.

The composition of plan assets from Pension Fund for the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016 (unaudited)			
	<u>DPBMS</u>	<u>DPBMD</u>	<u>DPBMT</u>	<u>DPBME</u>
Deposit	6%	8%	4%	12%
Bonds	31%	44%	27%	36%
Direct Investment	6%	16%	28%	15%
Land and building	22%	4%	24%	10%
Shares	6%	3%	0%	1%
Government Bond	21%	21%	15%	10%
Others	8%	4%	2%	16%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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50. EMPLOYEE BENEFITS (continued)

Pension Plan (continued)

The composition of plan assets from Pension Fund for the years ended December 31, 2016 and 2015 are as follows:(continued)

	December 31, 2015 (unaudited)			
	DPBMS	DPBMD	DPBMT	DPBME
Deposit	21%	23%	10%	10%
Bonds	38%	50%	35%	37%
Direct Investment	7%	15%	28%	15%
Land and building	19%	4%	20%	10%
Shares	7%	2%	-	2%
Government Bonds	3%	4%	6%	11%
Others	5%	2%	1%	15%
Total	100%	100%	100%	100%

Labor Law No. 13/2003

Bank Mandiri has implemented an accounting policy for employment benefits SFAS No. 24 to recognise provision for employee service entitlements. As of December 31, 2016 and 2015 the Group recognised a provision for employee services entitlements in accordance with Labor Law No. 13/2003 amounting to Rp2,943,664 (including compensation benefits for employees who have resigned which compensation have not yet been paid and excluded from actuarial calculation amounted to Rp8,240) and Rp2,411,613 (including compensation benefits for employees who have resigned which compensation have not yet been paid and excluded from actuarial calculation amounted to Rp8,240) based on the estimated post employment benefit in the independent actuarial reports (Note 34).

Provision for employee service entitlements as of December 31, 2016 and 2015 are estimated using the employees service entitlements calculation for the years ended December 31, 2016 and 2015 as shown in the independent actuarial report of PT Bestama Aktuarial dated January 5, 2017 for the year ended December 31, 2016 and the independent actuarial reports of PT Dayamandiri Dharmakonsilindo dated January 5, 2016 for the year ended December 31, 2016 and 2015. The assumptions used by the actuary for the years ended December 31, 2016 and 2015 are as follows:

- a. Discount rate is 8.20% per annum (2015: 9.10% per annum).
- b. Expected rate of annual salary increase is 9.50% per annum (2015: 9.50% per annum)
- c. Mortality rate table used is Indonesia Mortality Table 2011 or TMI III.
- d. Turnover rate is 5% for employees' age of 25 and decreasing linearly up to 0% at age 55.
- e. Actuarial method is projected unit credit method.
- f. Normal retirement age between 36 to 56 years according to the grades.
- g. Disability rate is 10% of TMI III.

The amounts recognised in the statement of financial position are determined based on independent actuarial report as follows (Bank Mandiri only):

	December 31, 2016	December 31, 2015
Provision for post employment benefits presented in statement of financial position	2,434,892	1,976,724

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50. EMPLOYEE BENEFITS (continued)

Labor Law No. 13/2003 (continued)

The movement in present value of obligation over the year is as follows (Bank Mandiri only):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Beginning balance of present value of obligation	1,976,724	1,924,202
Current service cost	168,654	260,608
Interest cost	183,279	158,580
Benefit paid	(93,991)	(69,315)
Actuarial (gains)/losses	200,226	(297,351)
Ending Balance of Present Value of Obligation	2,434,892	1,976,724

The amounts recognised in the profit or loss based on independent actuarial report are as follows (Bank Mandiri only):

	For the year ended December 31, 2016	For the year ended December 31, 2015
Current service cost	168,654	260,608
Interest cost	183,279	158,580
Bank payment for termination benefit	-	1,683
Cost of Pension benefits	351,933	432,871

Reconciliations of provision for post employment benefits are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
<u>Bank Mandiri</u>		
Beginning balance of provision for post employment benefits	1,976,724	1,906,872
Expenses during the year	351,933	432,871
Payments of benefits	(93,991)	(69,315)
Adjustment	-	(3,152)
Recognition of actuarial losses/(gains) in other comprehensive income	200,226	(290,552)
Provision for post employment benefits (Bank Mandiri)	2,434,892	1,976,724
<u>Subsidiaries</u>		
Provision for post employment benefits	500,532	426,649
Total provision for post employment benefits	2,935,424*)	2,403,373*)

*) As of December 31, 2016 and 2015, the amount does not include unpaid severance for resigned employees amounting to Rp8,240, which was excluded from actuarial computation.

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50. EMPLOYEE BENEFITS (continued)

Labor Law No. 13/2003 (continued)

The present value of funded benefit obligations, fair value of plan assets and the surplus on the program for the last five years, which are (Bank Mandiri only):

	December 31,				
	2016	2015	2014	2013	2012
Present value of defined benefit obligations	2,434,892	1,976,724	1,924,202	1,597,813	1,757,767
Fair value of plan assets	-	-	-	-	-
Deficit in the plan	2,434,892	1,976,724	1,924,202	1,597,813	1,757,767
Experience adjustments on plan liabilities	152,490	62,579	95,820	24,497	93,991
Experience adjustments on asset program	-	-	-	-	-

Reconciliation of PVDBO:

	December 31, 2016				
	DPBMS	DPBMD	DPBMT	DPBME	UUK No. 13/2003
Beginning balances of PVDBO	1,482,397	1,600,082	606,730	445,196	1,976,724
Current service cost	-	-	-	-	168,654
Interest cost of PVDBO	133,031	143,666	53,990	40,125	183,279
Benefit payments from plan assets	(164,138)	(175,620)	(76,818)	(45,662)	(93,991)
Actuarial (gains)/losses from PVDBO:					
(Gains)/losses on change of assumption in economic	31,021	145,753	83,247	15,309	352,716
(Gains)/losses on experience adjustment	(88,335)	(40,686)	50,267	24,615	(152,490)
Ending balances of PVDBO	1,393,976	1,673,195	717,416	479,583	2,434,892

Reconciliation of PVDBO:

	December 31, 2015				
	DPBMS	DPBMD	DPBMT	DPBME	UUK No.13/2003
Beginning balances of PVDBO	1,474,919	1,647,936	634,988	504,829	1,924,202
Current service cost	-	-	-	-	260,608
Interest cost of PVDBO	119,608	134,162	51,639	41,416	158,580
Provision for termination benefit	-	-	-	-	13,684
Benefit payments from plan assets	(161,482)	(178,782)	(73,142)	(46,806)	-
Benefit payments by the company (other than termination benefit)	-	-	-	-	(69,315)
Benefit payments for termination by the company	-	-	-	-	(13,683)
Actuarial (gains)/losses from PVDBO:					
(Gains)/losses on change of assumption in demographics	(168)	(237)	(101)	(132)	(26,013)
(Gains)/losses on change of assumption in economic	(111,371)	(131,029)	(48,331)	(40,587)	(208,760)
(Gains)/losses on experience adjustment	160,891	128,032	41,677	(13,524)	(62,579)
Ending balances of PVDBO	1,482,397	1,600,082	606,730	445,196	1,976,724

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50. EMPLOYEE BENEFITS (continued)

Labor Law No. 13/2003 (continued)

Reconciliation of plan assets:

	December 31, 2016			
	DPBMS	DPBMD	DPBMT	DPBME
Beginning fair value of plan assets	1,516,555	1,820,417	817,262	578,209
Benefit payments from plan assets	(164,138)	(175,620)	(76,818)	(45,662)
Interest income on plan assets	136,276	164,598	73,991	52,761
Result of plan assets (exclude interest income)	131,746	1,078	13,283	(9,566)
Ending fair value plan assets	1,620,439	1,810,473	827,718	575,742

	December 31, 2015			
	DPBMS	DPBMD	DPBMT	DPBME
Beginning fair value of plan assets	1,566,369	1,894,023	806,043	559,406
Benefit payments from plan assets	(161,482)	(178,782)	(73,142)	(46,806)
Interest income on plan assets	127,382	155,080	66,179	46,055
Result of plan assets (exclude interest income)	(15,714)	(49,904)	18,182	19,554
Ending fair value plan assets	1,516,555	1,820,417	817,262	578,209

Mutations in other comprehensive income:

Mutations in other comprehensive income for the Bank only for the year ended December 31, 2016 and 2015 as follows:

	December 31, 2016				
	DPBMS	DPBMD	DPBMT	DPBME	UUK No. 13/2003
Accumulation of actuarial gains/(losses) on beginning year	7,087	5,913	3,454	1,290	290,552
Actuarial losses of the current year	(7,087)	(5,913)	(3,454)	(1,290)	(200,226)
Accumulation of actuarial gainson ending year	-	-	-	-	90,326

	December 31, 2015				
	DPBMS	DPBMD	DPBMT	DPBME	UUK No.13/2003
Accumulation of actuarial gains/(losses) on beginning year	-	-	-	-	-
Actuarial gains of the current year	7,087	5,913	3,454	1,290	290,552
Accumulation of actuarial gainson ending year	7,087	5,913	3,454	1,290	290,552

Employee benefits liabilities maturing on December 31, 2016 related to UUK No. 13/2003 are as follows:

	December 31, 2016
Year - 1	212,866
Year - 2	236,252
Year - 3	204,283
Year - 4	300,802
Year - 5	378,984
Year - 6 and later	51,603,210
	52,936,397

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50. EMPLOYEE BENEFITS (continued)

Labor Law No. 13/2003 (continued)

The actuarial calculation of the pension benefit obligation for the Subsidiary on the date December 31, 2016 based on the estimated actuarial calculations for the years ended December 31, 2015.

Provision for Subsidiaries post-employment benefit on December 31, 2016 and 2015 has been calculated by an independent actuary as stated in the following independent actuarial reports:

Independent Subsidiaries	Independent actuary	2016	2015
PT Bank Syariah Mandiri	PT Dayamandiri Dharmakonsilindo	December 15, 2016	December 23, 2015
PT Mandiri Sekuritas	PT Dayamandiri Dharmakonsilindo	January 4, 2017	January 11, 2016
PT Bank Mandiri Taspen Pos	PT Jasa Aktuaris Praptasentosa Guna Jasa	January 5, 2017	January 4, 2016
PT Mandiri Tunas Finance	PT Dayamandiri Dharmakonsilindo	January 3, 2017	January 14, 2016
PT AXA Mandiri Financial Services	PT Dayamandiri Dharmakonsilindo	January 12, 2017	January 7, 2016
PT Mandiri AXA General Insurance	PT Dayamandiri Dharmakonsilindo	January 6, 2017	January 7, 2016
PT Asuransi Jiwa InHealth Indonesia	PT Sigma Prima Solusindo	January 6, 2017	December 31, 2015
PT Mandiri Utama Finance	PT Kompujasa Aktuarial	January 6, 2017	December 31, 2015

The sensitivity of the defined benefit obligation to changes in actuarial assumptions are as follows (Bank Mandiri) (unaudited):

	December 31, 2016	December 31, 2015
	Impact on defined benefits obligation	
Changes of assumptions:		
1% increase in discount rate	2,028,234	1,686,865
1% decrease in discount rate	2,918,966	2,322,885

51. OTHER OPERATING EXPENSES - OTHERS - NET

	Year ended December 31,	
	2016	2015
Insurance premiums on third party funds guarantee program	1,370,422	1,327,476
Insurance sales force compensation	980,081	852,220
Fees and commissions expenses	665,707	737,454
Fees related to credit card and ATM transaction	433,560	397,698
Fees from RTGS, remittance and clearing transactions	70,574	61,171
Others	170,898	202,018
	3,691,242	3,578,037

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52. NON-OPERATING (EXPENSE)/INCOME - NET

	Year ended December 31,	
	2016	2015
Building rental income	13,645	14,848
Gain on sale of fixed assets	120	228
Penalties	(9,196)	(6,413)
BOT transactions income	-	29,266
Others - net	(44,331)	(7,471)
	(39,762)	30,458

53. COMMITMENTS AND CONTINGENCIES

The following accounts represent accounts which are recorded as off-balance sheet:

	December 31, 2016	December 31, 2015
COMMITMENTS		
Commitment payables:		
Unused loan facilities granted*:		
Related parties	(38.790.412)	(20,811,629)
Third parties	(81.630.934)	(84,527,024)
	<u>(120.421.346)</u>	<u>(105,338,653)</u>
Outstanding irrevocable letters of credit (Note 31):		
Related parties	(3.519.396)	(5,107,643)
Third parties	(8.577.270)	(5,816,945)
	<u>(12.096.666)</u>	<u>(10,924,588)</u>
Commitment payables - net	(132.518.012)	(116,263,241)
CONTINGENCIES		
Contingent Receivables:		
Guarantees received from other banks	17,741,644	20,021,563
Interest receivable on non-performing assets	6,793,156	9,466,919
Others	32,729	32,729
	<u>24,567,529</u>	<u>29,521,211</u>
Contingent payables:		
Guarantees issued in the form of:		
Bank guarantees (Note 31):		
Related parties	(23,212,078)	(23,280,899)
Third parties	(51,054,206)	(51,230,192)
	<u>(74,266,284)</u>	<u>(74,511,091)</u>
Standby letters of credit (Note 31)		
Related parties	(6,739,568)	(6,560,416)
Third parties	(6,424,992)	(6,175,309)
	<u>(13,164,560)</u>	<u>(12,735,725)</u>
Others	(907,215)	(432,992)

*) Include committed and uncommitted unused loan facilities.

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53. COMMITMENTS AND CONTINGENCIES (continued)

The following accounts represent accounts which are recorded as off-balance sheet (continued):

	December 31, 2016	December 31, 2015
CONTINGENCIES (continued)		
Total	(88,338,059)	(87,679,808)
Contingent Payables - Net	(63,770,530)	(58,158,597)
	(196,288,542)	(174,421,838)

54. FOREIGN CURRENCY TRANSACTIONS

The fair value of forward and cross currency swap transactions are presented as derivative receivables/payables in the consolidated statement of financial position (Note 11).

Details of outstanding buy and sell foreign currency spot transactions (Bank Mandiri only) as of December 31, 2016 and 2015 are as follows:

Original Currency	December 31, 2016			
	Spot – Buy		Spot – Sell	
	Original currency (full amount)	Rupiah equivalent	Original currency (full amount)	Rupiah equivalent
United States Dollar	148,995,000	2,007,335	176,050,000	2,371,834
Others ³⁾	-	187,992		69,581
		2,195,327		2,441,415
Original Currency	December 31, 2015			
	Spot – Buy		Spot – Sell	
	Original currency (full amount)	Rupiah equivalent	Original currency (full amount)	Rupiah equivalent
United States Dollar	100,699,484	1,388,142	168,345,000	2,320,636
Others ³⁾	-	127,487	-	68,210
		1,515,629		2,388,846

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55. RELATED PARTY TRANSACTIONS

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following related parties:

- **Related party relationship as the controlling shareholder:**
The Government of the Republic of Indonesia through Ministry of Finance.
- **Related parties relationship by ownership and/or management:**

No.	Related parties	Nature of relationship
1.	PT Kustodian Sentral Efek Indonesia	Associate Company
2.	PT Sarana Bersama Pengembangan Indonesia	Associate Company
3.	Dana Pensiun Bank Mandiri	Bank Mandiri as a founder
4.	Dana Pensiun Bank Mandiri 1	Bank Mandiri as a founder
5.	Dana Pensiun Bank Mandiri 2	Bank Mandiri as a founder
6.	Dana Pensiun Bank Mandiri 3	Bank Mandiri as a founder
7.	Dana Pensiun Bank Mandiri 4	Bank Mandiri as a founder
8.	PT Bumi Daya Plaza	Controlled by Dana Pensiun Bank Mandiri (since December 19, 2013)
9.	PT Pengelola Investama Mandiri	Controlled by Dana Pensiun Bank Mandiri (since December 19, 2013)
10.	PT Usaha Gedung Mandiri	Controlled by Dana Pensiun Bank Mandiri (since December 19, 2013)
11.	PT Estika Daya Mandiri	Controlled by Dana Pensiun Bank Mandiri 1
12.	PT Asuransi Staco Mandiri (dahulu PT Asuransi Staco Jasapratama)	Controlled by Dana Pensiun Bank Mandiri 2
13.	PT Mulia Sasmita Bhakti	Controlled by Dana Pensiun Bank Mandiri 3
14.	PT Krida Upaya Tunggal	Controlled by Dana Pensiun Bank Mandiri 4
15.	PT Wahana Optima Permai	Controlled by Dana Pensiun Bank Mandiri 4
16.	Dana Pensiun Lembaga Keuangan Bank Mandiri	Significantly influenced by Bank Mandiri
17.	Koperasi Kesehatan Pegawai dan Pensiunan Bank Mandiri (Mandiri Healthcare)	Significantly influenced by Bank Mandiri

The nature of transactions with related parties include investments in shares, securities issued, subordinated loans, loans, customer deposits and bank guarantees.

- **Related parties relationship with government related entities**

No.	Related parties	Nature of relationship
1.	Adhi Multipower Pte. Ltd.	Subsidiary of State Owned Enterprise
2.	PT Abacus Distri System Indonesia	Subsidiary of State Owned Enterprise
3.	PT Abuki Jaya Stainless (AJSI)	Subsidiary of State Owned Enterprise
4.	PT Adhiguna Putera	Subsidiary of State Owned Enterprise
5.	PT Aerofood Indonesia	Subsidiary of State Owned Enterprise
6.	PT Aero Globe Indonesia	Subsidiary of State Owned Enterprise

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55. RELATED PARTY TRANSACTIONS (continued)

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following parties (continued):

• **Related parties relationship with government related entities (continued):**

<u>No.</u>	<u>Related parties</u>	<u>Nature of relationship</u>
7.	PT Aero Systems Indonesia	Subsidiary of State Owned Enterprise
8.	PT Aerowisata	Subsidiary of State Owned Enterprise
9.	PT Agro Sinergi Nusantara (ASN)	Subsidiary of State Owned Enterprise
10.	PT Angkasa Citra Sarana Catering	Subsidiary of State Owned Enterprise
11.	PT Angkasa Pura Hotel	Subsidiary of State Owned Enterprise
12.	PT Angkasa Pura Logistik	Subsidiary of State Owned Enterprise
13.	PT Angkasa Pura Retail	Subsidiary of State Owned Enterprise
14.	PT Angkasa Pura Solusi	Subsidiary of State Owned Enterprise
15.	PT Antam Resourcindo	Subsidiary of State Owned Enterprise
16.	PT Adhi Persada Beton	Subsidiary of State Owned Enterprise
17.	PT Adhi Persada Gedung	Subsidiary of State Owned Enterprise
18.	PT Adhi Persada Properti	Subsidiary of State Owned Enterprise
19.	PT Artha Daya Coalindo	Subsidiary of State Owned Enterprise
20.	PT Arthaloka Indonesia	Subsidiary of State Owned Enterprise
21.	PT Asrinda Arthasangga	Subsidiary of State Owned Enterprise
22.	PT Asuransi Berdikari	Subsidiary of State Owned Enterprise
23.	PT Asuransi Jasa Raharja Putera	Subsidiary of State Owned Enterprise
24.	PT Asuransi Jiwa Taspen	Subsidiary of State Owned Enterprise
25.	PT Bahana Artha Ventura	Subsidiary of State Owned Enterprise
26.	PT Bank BRI Syariah	Subsidiary of State Owned Enterprise
27.	PT Bank Negara Indonesia Syariah	Subsidiary of State Owned Enterprise
28.	PT Berdikari United Livestock	Subsidiary of State Owned Enterprise
29.	PT Berlian Jasa Terminal Ind	Subsidiary of State Owned Enterprise
30.	PT BNI Life Insurance	Subsidiary of State Owned Enterprise
31.	PT BNI Multi Finance	Subsidiary of State Owned Enterprise
32.	PT Bromo Steel Indonesia	Subsidiary of State Owned Enterprise
33.	PT Daya Laut Utama	Subsidiary of State Owned Enterprise
34.	PT Dharma Lautan Nusantara	Subsidiary of State Owned Enterprise
35.	PT Dok & Perkapalan Waiame	Subsidiary of State Owned Enterprise
36.	PT Electronic Data Interchange Indonesia	Subsidiary of State Owned Enterprise
37.	PT Eltran Indonesia	Subsidiary of State Owned Enterprise
38.	PT Energi Pelabuhan Indonesia	Subsidiary of State Owned Enterprise
39.	PT Gagas Energi Indonesia	Subsidiary of State Owned Enterprise
40.	PT Galangan Pelni Surya	Subsidiary of State Owned Enterprise
41.	PT Gapura Angkasa	Subsidiary of State Owned Enterprise

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55. RELATED PARTY TRANSACTIONS (continued)

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following parties (continued):

• **Related parties relationship with government related entities (continued):**

<u>No.</u>	<u>Related parties</u>	<u>Nature of relationship</u>
42.	PT Geo Dipa Energi	Subsidiary of State Owned Enterprise
43.	PT Haleyora Power	Subsidiary of State Owned Enterprise
44.	PT HK Realtindo	Subsidiary of State Owned Enterprise
45.	PT Indofarma Global Medika	Subsidiary of State Owned Enterprise
46.	PT Indonesia Chemical Alumina	Subsidiary of State Owned Enterprise
47.	PT Indonesia Comnets Plus	Subsidiary of State Owned Enterprise
48.	PT Indonesia Kendaraan Terminal	Subsidiary of State Owned Enterprise
49.	PT Indonesia Power	Subsidiary of State Owned Enterprise
50.	PT Infomedia Nusantara	Subsidiary of State Owned Enterprise
51.	PT INKA Multi Solusi	Subsidiary of State Owned Enterprise
52.	PT Ismawa Trimitra	Subsidiary of State Owned Enterprise
53.	PT Itci Hutani Manunggal	Subsidiary of State Owned Enterprise
54.	PT Itci Kayan Hutani	Subsidiary of State Owned Enterprise
55.	PT IPC Terminal Petikemas	Subsidiary of State Owned Enterprise
56.	PT Jasa Armada Indonesia	Subsidiary of State Owned Enterprise
57.	PT Jasa Marga Bali Tol	Subsidiary of State Owned Enterprise
58.	PT Jasa Marga Kualanamu Tol	Subsidiary of State Owned Enterprise
59.	PT Jasa Marga Pandaan Tol	Subsidiary of State Owned Enterprise
60.	PT Citilink Indonesia	Subsidiary of State Owned Enterprise
61.	PT Jasa Peralatan Pelabuhan Indonesia	Subsidiary of State Owned Enterprise
62.	PT Jakarta International Container Terminal	Subsidiary of State Owned Enterprise
63.	PT Kalimantan Agro Nusantara	Subsidiary of State Owned Enterprise
64.	PT KAI Commuter Jabodetabek	Subsidiary of State Owned Enterprise
65.	PT Kaltim Industrial Estate	Subsidiary of State Owned Enterprise
66.	PT Kawasan Industri Kujang Cikampek	Subsidiary of State Owned Enterprise
67.	PT Kereta Api Logistik	Subsidiary of State Owned Enterprise
68.	PT Kereta Api Pariwisata	Subsidiary of State Owned Enterprise
69.	PT Kertas Padalarang	Subsidiary of State Owned Enterprise
70.	PT Kimia Farma Apotek	Subsidiary of State Owned Enterprise
71.	PT Kimia Farma Trading & Distributor	Subsidiary of State Owned Enterprise
72.	PT Kodja Terramarin	Subsidiary of State Owned Enterprise
73.	PT Krakatau Bandar Samudra	Subsidiary of State Owned Enterprise
74.	PT Krakatau Daya Listrik	Subsidiary of State Owned Enterprise
75.	PT Krakatau Engineering	Subsidiary of State Owned Enterprise
76.	PT Krakatau Information Technology	Subsidiary of State Owned Enterprise

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55. RELATED PARTY TRANSACTIONS (continued)

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following parties (continued):

• **Related parties relationship with government related entities (continued):**

No.	Related parties	Nature of relationship
77.	PT Krakatau Prima Dharma Sentana	Subsidiary of State Owned Enterprise
78.	PT Krakatau Wajatama	Subsidiary of State Owned Enterprise
79.	PT Lebercon Perkasa	Subsidiary of State Owned Enterprise
80.	PT Mega Eltra	Subsidiary of State Owned Enterprise
81.	PT Mitra Kerinci	Subsidiary of State Owned Enterprise
82.	PT Multi Nitrotama Kimia	Subsidiary of State Owned Enterprise
83.	PT Multi Terminal Indonesia	Subsidiary of State Owned Enterprise
84.	PT Nusantara Regas	Subsidiary of State Owned Enterprise
85.	PT Pal Marine Service	Subsidiary of State Owned Enterprise
86.	PT Pann Pembiayaan Maritim	Subsidiary of State Owned Enterprise
87.	PT Patra Jasa	Subsidiary of State Owned Enterprise
88.	PT Patra Logistis	Subsidiary of State Owned Enterprise
89.	PT Phapros	Subsidiary of State Owned Enterprise
90.	PT Pelindo Marine Service	Subsidiary of State Owned Enterprise
91.	PT Pelabuhan Tanjung Priok	Subsidiary of State Owned Enterprise
92.	PT Pelita Air Service	Subsidiary of State Owned Enterprise
93.	PT Pelita Indonesia Djaya Corp	Subsidiary of State Owned Enterprise
94.	PT Pembangkit Jawa Bali (PJB)	Subsidiary of State Owned Enterprise
95.	PT Perhutani Alam Wisata	Subsidiary of State Owned Enterprise
96.	PT Perhutani Anugerah Kimia	Subsidiary of State Owned Enterprise
97.	PT Permodalan Nasional Madani Investment Management	Subsidiary of State Owned Enterprise
98.	PT Permodalan Nasional Madani Venture Capital	Subsidiary of State Owned Enterprise
99.	PT Peroksida Indonesia Pratama	Subsidiary of State Owned Enterprise
100.	PT Pertamina Bina Medika	Subsidiary of State Owned Enterprise
101.	PT Pertamina Dana Ventura	Subsidiary of State Owned Enterprise
102.	PT Pertamina Drilling Services Indonesia	Subsidiary of State Owned Enterprise
103.	PT Pertamina EP	Subsidiary of State Owned Enterprise
104.	PT Pertamina Gas	Subsidiary of State Owned Enterprise
105.	PT Pertamina Geothermal Energy	Subsidiary of State Owned Enterprise
106.	PT Pertamina Hulu Energi	Subsidiary of State Owned Enterprise
107.	PT Pertamina Lubricants	Subsidiary of State Owned Enterprise
108.	PT Pertamina Patra Niaga	Subsidiary of State Owned Enterprise
109.	PT Pertamina Retail	Subsidiary of State Owned Enterprise
110.	PT Pertamina Training & Consulting	Subsidiary of State Owned Enterprise
111.	PT Pertamina Trans Kontinental	Subsidiary of State Owned Enterprise

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55. RELATED PARTY TRANSACTIONS (continued)

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following parties (continued):

• **Related parties relationship with government related entities (continued):**

No.	Related parties	Nature of relationship
112.	PT Petro Jordan Abadi	Subsidiary of State Owned Enterprise
113.	PT Petrokimia Gresik	Subsidiary of State Owned Enterprise
114.	PT Petrokimia Kayaku	Subsidiary of State Owned Enterprise
115.	PT Petrosida	Subsidiary of State Owned Enterprise
116.	PT PGAS Solution	Subsidiary of State Owned Enterprise
117.	PT PLN Batam	Subsidiary of State Owned Enterprise
118.	PT PLN Tarakan	Subsidiary of State Owned Enterprise
119.	PT Pos Logistik Indonesia	Subsidiary of State Owned Enterprise
120.	PT PP Peralatan	Subsidiary of State Owned Enterprise
121.	PT PP Dirganeka	Subsidiary of State Owned Enterprise
122.	PT PP Pracetak	Subsidiary of State Owned Enterprise
123.	PT Prima Layanan Nasional Enjiniring	Subsidiary of State Owned Enterprise
124.	PT Prima Terminal Petikemas	Subsidiary of State Owned Enterprise
125.	PT Pupuk Indonesia Logistik	Subsidiary of State Owned Enterprise
126.	PT Pupuk Iskandar Muda	Subsidiary of State Owned Enterprise
127.	PT Pupuk Kalimantan Timur	Subsidiary of State Owned Enterprise
128.	PT Pupuk Kujang	Subsidiary of State Owned Enterprise
129.	PT Pupuk Sriwidjaja Palembang	Subsidiary of State Owned Enterprise
130.	PT Railindo Global Karya	Subsidiary of State Owned Enterprise
131.	PT Railink	Subsidiary of State Owned Enterprise
132.	PT Rajawali Nusindo	Subsidiary of State Owned Enterprise
133.	PT Reasuransi Internasional Indonesia	Subsidiary of State Owned Enterprise
134.	PT Reasuransi Nasional Indonesia	Subsidiary of State Owned Enterprise
135.	PT Rekindo Global Jasa	Subsidiary of State Owned Enterprise
136.	PT Rekadaya Elekrika	Subsidiary of State Owned Enterprise
137.	PT Reayasa Industri/PT REKIND	Subsidiary of State Owned Enterprise
138.	PT Rumah Sakit Pelni	Subsidiary of State Owned Enterprise
139.	PT Saka Energi Indonesia	Subsidiary of State Owned Enterprise
140.	PT Sarana Bandar Nasional	Subsidiary of State Owned Enterprise
141.	PT Sari Valuta Asing	Subsidiary of State Owned Enterprise
142.	PT Sariarthamas Hotel International	Subsidiary of State Owned Enterprise
143.	PT Semen Padang	Subsidiary of State Owned Enterprise
144.	PT Semen Tonasa	Subsidiary of State Owned Enterprise
145.	PT Sinergi Perkebunan Nusantara	Subsidiary of State Owned Enterprise
146.	PT Stannia Bineka Jasa	Subsidiary of State Owned Enterprise

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55. RELATED PARTY TRANSACTIONS (continued)

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following parties (continued):

• **Related parties relationship with government related entities (continued):**

No.	Related parties	Nature of relationship
147.	PT Sucofindo Advisory Utama	Subsidiary of State Owned Enterprise
148.	PT Sucofindo Episi	Subsidiary of State Owned Enterprise
149.	PT Surveyor Carbon Consulting Indonesia	Subsidiary of State Owned Enterprise
150.	PT Surya Hutani Jaya	Subsidiary of State Owned Enterprise
151.	PT Tambang Timah	Subsidiary of State Owned Enterprise
152.	PT Tanjung Redeb Hutani	Subsidiary of State Owned Enterprise
153.	PT Telkom Akses	Subsidiary of State Owned Enterprise
154.	PT Telekomunikasi Indonesia International	Subsidiary of State Owned Enterprise
155.	PT Telekomunikasi Selular	Subsidiary of State Owned Enterprise
156.	PT Terminal Peti Kemas Surabaya	Subsidiary of State Owned Enterprise
157.	PT Terminal Petikemas Indonesia	Subsidiary of State Owned Enterprise
158.	PT Terminal Petikemas Kodja	Subsidiary of State Owned Enterprise
159.	PT Trans Marga Jateng	Subsidiary of State Owned Enterprise
160.	PT Waskita Toll Road	Subsidiary of State Owned Enterprise
161.	PT Wijaya Karya Bangunan Gedung	Subsidiary of State Owned Enterprise
162.	PT Wijaya Karya Beton	Subsidiary of State Owned Enterprise
163.	PT Wijaya Karya Intrade Energy	Subsidiary of State Owned Enterprise
164.	PT Wijaya Karya Industri Konstruksi	Subsidiary of State Owned Enterprise
165.	PT Wijaya Karya Realty	Subsidiary of State Owned Enterprise
166.	BPJS Kesehatan	State Owned Enterprise
167.	BPJS Ketenagakerjaan	State Owned Enterprise
168.	Perum BULOG	State Owned Enterprise
169.	Perum DAMRI	State Owned Enterprise
170.	PT Indonesia Asahan Aluminium (INALUM)	State Owned Enterprise
171.	Perum LKBN Antara	State Owned Enterprise
172.	Perum Jaminan Kredit Indonesia (JAMKRINDO)	State Owned Enterprise
173.	Perum Jasa Tirta I (Persero)	State Owned Enterprise
174.	Perum Jasa Tirta II (Persero)	State Owned Enterprise
175.	Perum Lembaga Penyelenggara Pelayanan Navigasi Penerbangan Indonesia (PERUM LPPNPI)	State Owned Enterprise
176.	Perum Pegadaian	State Owned Enterprise
177.	Perum Percetakan Negara Republik Indonesia	State Owned Enterprise
178.	Perum Perhutani	State Owned Enterprise
179.	Perum Percetakan Uang Republik Indonesia/PERUM PERURI	State Owned Enterprise
180.	Perum Perikanan Indonesia (PERUM PERINDO)	State Owned Enterprise

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55. RELATED PARTY TRANSACTIONS (continued)

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following parties (continued):

• **Related parties relationship with government related entities (continued):**

No.	Related parties	Nature of relationship
181.	Perum Perumnas	State Owned Enterprise
182.	Perum PPD	State Owned Enterprise
183.	Perum Produksi Film Negara	State Owned Enterprise
184.	PT Adhi Karya (Persero) Tbk.	State Owned Enterprise
185.	PT Amarta Karya (Persero)	State Owned Enterprise
186.	PT Aneka Tambang (Persero) Tbk.	State Owned Enterprise
187.	PT Angkasa Pura I (Persero)	State Owned Enterprise
188.	PT Angkasa Pura II (Persero)	State Owned Enterprise
189.	PT ASABRI (Persero)	State Owned Enterprise
190.	PT ASDP Indonesia Ferry (Persero)	State Owned Enterprise
191.	PT Asei Reasuransi Indonesia (Persero)	State Owned Enterprise
192.	PT Asuransi Ekspor Indonesia	State Owned Enterprise
193.	PT Asuransi Jasa Indonesia (Persero)	State Owned Enterprise
194.	PT Asuransi Jasa Raharja	State Owned Enterprise
195.	PT Asuransi Jiwasraya (Persero)	State Owned Enterprise
196.	PT Asuransi Kredit Indonesia/PT Askindo (Persero)	State Owned Enterprise
197.	PT Bahana Pembinaan Usaha Indonesia (Persero)	State Owned Enterprise
198.	PT Balai Pustaka (Persero)	State Owned Enterprise
199.	PT Bali Tourism Development Corporation	State Owned Enterprise
200.	PT Bank Negara Indonesia (Persero) Tbk.	State Owned Enterprise
201.	PT Bank Rakyat Indonesia (Persero) Tbk.	State Owned Enterprise
202.	PT Bank Tabungan Negara (Persero) Tbk.	State Owned Enterprise
203.	PT Barata Indonesia (Persero)	State Owned Enterprise
204.	PT Berdikari (Persero)	State Owned Enterprise
205.	PT Bhandha Ghara Reksa (Persero)	State Owned Enterprise
206.	PT Bina Karya (Persero)	State Owned Enterprise
207.	PT Bio Farma (Persero)	State Owned Enterprise
208.	PT Biro Klasifikasi Indonesia (Persero)	State Owned Enterprise
209.	PT Boma Bisma Indra (Persero)	State Owned Enterprise
210.	PT Brantas Abipraya (Persero)	State Owned Enterprise
211.	PT Cambrics Primmisima (Persero)	State Owned Enterprise
212.	PT Dahana (Persero)	State Owned Enterprise
213.	PT Danareksa (Persero)	State Owned Enterprise
214.	PT Dirgantara Indonesia (Persero)	State Owned Enterprise
215.	PT Djakarta Llyod (Persero)	State Owned Enterprise

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55. RELATED PARTY TRANSACTIONS (continued)

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following parties (continued):

• **Related parties relationship with government related entities (continued):**

No.	Related parties	Nature of relationship
216.	PT Dok & Perkapalan Kodja Bahari (Persero)	State Owned Enterprise
217.	PT Dok & Perkapalan Surabaya	State Owned Enterprise
218.	PT Elnusa Tbk.	State Owned Enterprise
219.	PT Energi Manajemen Indonesia	State Owned Enterprise
220.	PT Garam (Persero)	State Owned Enterprise
221.	PT Garuda Indonesia (Persero) Tbk.	State Owned Enterprise
222.	PT Hotel Indonesia Natour	State Owned Enterprise
223.	PT Utama Karya (Persero)	State Owned Enterprise
224.	PT Iglas (Persero)	State Owned Enterprise
225.	PT Indah Karya	State Owned Enterprise
226.	PT Indofarma (Persero) Tbk.	State Owned Enterprise
227.	PT Indra Karya (Persero)	State Owned Enterprise
228.	PT Industri Kapal Indonesia (Persero)	State Owned Enterprise
229.	PT Industri Kereta Api (INKA)	State Owned Enterprise
230.	PT Industri Nuklir Indonesia (Persero)	State Owned Enterprise
231.	PT Industri Sandang Nusantara	State Owned Enterprise
232.	PT Industri Soda Indonesia (Persero)	State Owned Enterprise
233.	PT Industri Telekomunikasi Indonesia (ITI)	State Owned Enterprise
234.	PT Inhutani I	State Owned Enterprise
235.	PT Inhutani II	State Owned Enterprise
236.	PT Inhutani III	State Owned Enterprise
237.	PT Inhutani IV	State Owned Enterprise
238.	PT Inhutani V	State Owned Enterprise
239.	PT INTI (Persero)	State Owned Enterprise
240.	PT Istaka Karya	State Owned Enterprise
241.	PT Jasa Marga (Persero) Tbk.	State Owned Enterprise
242.	PT Jiep	State Owned Enterprise
243.	PT Kawasan Berikat Nusantara (Persero)	State Owned Enterprise
244.	PT Kawasan Industri Makasar (Persero)	State Owned Enterprise
245.	PT Kawasan Industri Medan (Persero)	State Owned Enterprise
246.	PT Kawasan Industri Wijayakusuma (Persero)	State Owned Enterprise
247.	PT Kereta Api Indonesia (Persero)	State Owned Enterprise
248.	PT Kertas Kraft Aceh (Persero)	State Owned Enterprise
249.	PT Kertas Leces (Persero)	State Owned Enterprise
250.	PT Kimia Farma (Persero) Tbk.	State Owned Enterprise
251.	PT Kliring Berjangka Indonesia (Persero)	State Owned Enterprise
252.	PT Krakatau Steel (Persero) Tbk.	State Owned Enterprise

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55. RELATED PARTY TRANSACTIONS (continued)

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following parties (continued):

• **Related parties relationship with government related entities (continued):**

No.	Related parties	Nature of relationship
253.	PT Len Industri (Persero)	State Owned Enterprise
254.	PT Merpati Nusantara Airlines	State Owned Enterprise
255.	PT Nindya Karya (Persero)	State Owned Enterprise
256.	PT PAL Indonesia (Persero)	State Owned Enterprise
257.	PT Pann Multi Finance (Persero)	State Owned Enterprise
258.	PT Pelabuhan Indonesia I (Persero)	State Owned Enterprise
259.	PT Pelabuhan Indonesia II (Persero)	State Owned Enterprise
260.	PT Pelabuhan Indonesia III (Persero)	State Owned Enterprise
261.	PT Pelabuhan Indonesia IV (Persero)	State Owned Enterprise
262.	PT Pelayaran Bahtera Adiguna	State Owned Enterprise
263.	PT Pelayaran Nasional Indonesia (Persero)/ PT PELNI	State Owned Enterprise
264.	PT Pembangunan Perumahan (Persero) Tbk.	State Owned Enterprise
265.	PT Pengembangan Pariwisata Indonesia (Persero)	State Owned Enterprise
266.	PT Perhutani	State Owned Enterprise
267.	PT Perikanan Nusantara	State Owned Enterprise
268.	PT Perkebunan Nusantara I (Persero)	State Owned Enterprise
269.	PT Perkebunan Nusantara II (Persero)	State Owned Enterprise
270.	PT Perkebunan Nusantara III (Persero)	State Owned Enterprise
271.	PT Perkebunan Nusantara IV (Persero)	State Owned Enterprise
272.	PT Perkebunan Nusantara V (Persero)	State Owned Enterprise
273.	PT Perkebunan Nusantara VI (Persero)	State Owned Enterprise
274.	PT Perkebunan Nusantara VII (Persero)	State Owned Enterprise
275.	PT Perkebunan Nusantara VIII (Persero)	State Owned Enterprise
276.	PT Perkebunan Nusantara IX (Persero)	State Owned Enterprise
277.	PT Perkebunan Nusantara X (Persero)	State Owned Enterprise
278.	PT Perkebunan Nusantara XI (Persero)	State Owned Enterprise
279.	PT Perkebunan Nusantara XII (Persero)	State Owned Enterprise
280.	PT Perkebunan Nusantara XIII (Persero)	State Owned Enterprise
281.	PT Perkebunan Nusantara XIV (Persero)	State Owned Enterprise
282.	PT Permodalan Nasional Madani (Persero)	State Owned Enterprise
283.	PT Pertamina (Persero)	State Owned Enterprise
284.	PT Pertani (Persero)	State Owned Enterprise
285.	PT Perusahaan Gas Negara (Persero) Tbk	State Owned Enterprise
286.	PT Perusahaan Listrik Negara (Persero)	State Owned Enterprise
287.	PT Perusahaan Perdagangan Indonesia (Persero)	State Owned Enterprise

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55. RELATED PARTY TRANSACTIONS (continued)

In the normal course of business, Bank Mandiri entered into certain significant transactions with the following parties (continued):

• **Related parties relationship with government related entities (continued):**

No.	Related parties	Nature of relationship
288.	PT Pindad (Persero)	State Owned Enterprise
289.	PT Pos Indonesia (Persero)	State Owned Enterprise
290.	PT Perusahaan Pengelolaan Aset	State Owned Enterprise
291.	PT Prasarana Perikanan Samudera	State Owned Enterprise
292.	PT Pupuk Indonesia Holding Company	State Owned Enterprise
293.	PT Rajawali Nusantara Indonesia	State Owned Enterprise
294.	PT Reasuransi Umum Indonesia	State Owned Enterprise
295.	PT Rukindo	State Owned Enterprise
296.	PT Sang Hyang Seri	State Owned Enterprise
297.	PT Sarana Karya	State Owned Enterprise
298.	PT Sarana Multi Infrastruktur (Persero)	State Owned Enterprise
299.	PT Sarana Multigriya Finansial (Persero)	State Owned Enterprise
300.	PT Sarinah (Persero)	State Owned Enterprise
301.	PT Semen Baturaja (Persero)	State Owned Enterprise
302.	PT Semen Indonesia (Persero) Tbk.	State Owned Enterprise
303.	PT Semen Kupang	State Owned Enterprise
304.	PT Sier	State Owned Enterprise
305.	PT Sucofindo (Persero)	State Owned Enterprise
306.	PT Survey Udara Penas	State Owned Enterprise
307.	PT Surveyor Indonesia	State Owned Enterprise
308.	PT Taman Wisata Candi Borobudur, Prambanan & Ratu Boko	State Owned Enterprise
309.	PT Tambang Batubara Bukit Asam (Persero) Tbk.	State Owned Enterprise
310.	PT Taspen	State Owned Enterprise
311.	PT Telekomunikasi Indonesia Tbk/PT Telkom Tbk.	State Owned Enterprise
312.	PT Timah (Persero) Tbk.	State Owned Enterprise
313.	PT Varuna Tirta Prakasya (Persero)	State Owned Enterprise
314.	PT Virama Karya	State Owned Enterprise
315.	PT Waskita Karya (Persero)	State Owned Enterprise
316.	PT Wijaya Karya (Persero) Tbk.	State Owned Enterprise
317.	PT Yodya Karya (Persero)	State Owned Enterprise
318.	Lembaga Pembiayaan Ekspor Indonesia	State Owned Financial Institution
319.	PT Penjaminan Infrastruktur Indonesia (Persero)	Financial Institution
320.	Pusat Investasi Pemerintah	Financial Institution

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55. RELATED PARTY TRANSACTIONS (continued)

Nature of transactions with government related entities are current accounts with other bank, placements with other banks, marketable securities, government bonds, other receivables - trade transaction, derivative receivables, loans, consumer financing receivables, acceptance receivables, derivative payables, deposit from customers, deposits from other bank, interbank call money, acceptance payables, liabilities on securities sold under repurchase agreements, marketable securities issued, fund borrowing, subordinated loan, unused loan facility, bank guarantees, irrevocable letters of credit and standby letters of credit.

- **Transaction of related parties with government related entities**

In the ordinary course of its business, the Group also purchases or pays for services, such as telecommunication expense, utility expense and other expenses to government related entities.

- **Transactions with management and key personnel of Bank Mandiri**

Total gross salaries and allowances, bonus and tantiem, long-term employment benefits of the Boards of Commissioners, Directors, Audit Committee and Risk Monitoring, Sharia Supervisory Board and Executive Vice President and Senior Vice President (Note 48) for the years ended December 31, 2016 and 2015 as amount Rp986,140 and Rp857,365 or 3.15% and 2.98% of total consolidated operating expenses - others, respectively.

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55. RELATED PARTY TRANSACTIONS (continued)

Details of significant transactions with related parties as of December 31, 2016 and 2015, are as follows:

	December 31, 2016	December 31, 2015
<u>Assets</u>		
Current accounts with other banks (Note 5a)	25,861	24,515
Placements with Bank Indonesia and other banks (Note 6b)	1,725,571	1,991,278
Marketable securities (Note 7a)*	18,571,548	16,516,404
Government bonds (Note 8)	98,933,278	103,869,361
Other receivables - trade transactions (Note 9a)	5,934,300	7,051,775
Derivative receivables (Note 11)	3,660	32,152
Loans (Note 12A.a and 12B.g)	100,201,483	75,405,807
Consumer financing receivables (Note 13a)	10,532	5,886
Acceptance receivables (Note 15a)	415,848	409,880
Shares of stock (Note 16a)	50,331	50,331
Total assets with related parties	225,872,412	205,357,389
Total consolidated assets	1,038,706,009	910,063,409
Percentage of total assets with related parties to total consolidated assets	21.75%	22.56%
<u>Liabilities</u>		
Deposits from customers		
Demand deposits/ <i>wadiah</i> demand deposit (Note 21a)	48,729,926	38,252,185
Saving deposits/ <i>wadiah</i> saving deposit (Note 22a)	1,973,087	1,342,075
Time deposits (Note 23a)	46,271,999	37,257,210
Deposits from other banks		
Demand and saving deposits (Note 24a)	45,912	70,176
Time deposits (Note 26a)	286,210	-
Inter-bank call money (Note 25a)	40,000	600,000
Derivative payables (Note 11)	10,058	3,095
Securities sold under repurchase agreements to repurchase (Note 28)	230,024	467,123
Acceptance payables (Note 29a)	2,481,708	606,737
Marketable securities issued (Note 30)	3,662,000	587,750
Fund borrowings (Note 36)	-	25,178
Subordinated loans (Note 37)	-	1,687,800
Total liabilities with related parties	103,730,924	80,899,329
Total consolidated liabilities	824,559,898	736,198,705

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55. RELATED PARTY TRANSACTIONS (continued)

Details of significant transactions with related parties as of December 31, 2016 and 2015, are as follows (continued):

	December 31, 2016	December 31, 2015
Percentage of total liabilities with related parties to total consolidated liabilities	12.58%	10.99%
Temporary <i>Syirkah</i> Funds (Note 38)	914,391	666,356
Percentage to total temporary <i>syirkah</i> funds	1.50%	1.23%

* Stated by gross before unamortized discount and (losses)/gains have not realizing from (decrease)/increase in securities.

	For the year ended December 31,	
	2016	2015
<u>Statements of Comprehensive Income</u>		
Interest income from government bonds and treasury bills (Note 41)	5,490,404	5,364,814
Percentage to interest income and sharia income	7.16%	7.49%
Interest expense from fund borrowing (Note 42)	971	3,759
Percentage to interest expense and sharia expense	0.01 %	0.01%
<u>Commitmens and contingencies (Note 53)</u>		
Unused loan facilities granted	38,790,412	20,811,629
Outstanding irrevocable letters of credit	3,519,396	5,107,643
Guarantees issued in the form of bank guarantee	23,212,078	23,280,899
Guarantees issued in the form of Standby letters of credit	6,739,568	6,560,416
Total commitments and contingencies for related parties	72,261,454	55,760,587
Total commitmens and contingencies for consolidated	196,288,542	174,421,838
Percentage total commitmens and contingencies of related parties to consolidated aset	36.81%	31.97%

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56. SEGMENT INFORMATION

The Group reports operating segments in a manner consistent with the internal reporting provided for operational decision making (refer to Note 2ak).

The following describes the operations in each reportable segments as of December 31, 2016 and 2015:

- Corporate : including loans, customer deposits and other transactions belonging to corporate customers, including state-owned, private enterprises and government entity.
- Commercial : including loans to medium scale, customer deposits and other transactions belonging to commercial customers.
- Retail (in 2015 consists of consumer/individual segment and micro and business segment) : including loans granted to business entities or individuals with micro-scale to small, products or other services such as deposits, payment transactions and other transactions belonging to micro and small customers also consumer finance loans, including mortgage loans, credit cards and other products and services such as deposits, payment transactions and other transactions belonging to individual customers, including priority customers.
- Treasury & Markets : treasury segment associated with treasury activities of the Bank include foreign exchange, money market and fixed income. Segments of business markets, including, among others, international banking, capital markets and supervision of the Foreign Office.
- Head Office : mainly manages the assets and liabilities of the Group other than those managed by other operating segments including accepting the cost allocation for the provision of the service by centralizing services to other segments as well as income/costs that are not allocated to other segments reporting.
- Subsidiary - Sharia : including all transactions conducted by subsidiary engaged in sharia banking.
- Subsidiaries - Insurance : including all transactions conducted by subsidiaries engaged in lifeinsurance, health insurance and general insurance.
- Subsidiary - other than sharia and insurance : including all transactions subsidiaries engaged in consumer finance, remittance services, securities and banking.

These consolidated financial statements are originally issued in Bahasa.

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56. SEGMENT INFORMATION (continued)

December 31, 2016 ¹⁾										
Description	Corporate	Commercial	Retail	Treasury & Markets	Head office	Subsidiaries - Sharia	Subsidiaries - insurance	Subsidiaries - other than insurance and sharia	Adjustment and Elimination ²⁾	Total
Consolidated statement of profit or loss and other comprehensive income										
Interest and sharia income ^{**)}	28,603,573	18,917,557	53,807,839	7,143,133	3,232,612	6,467,897	545,561	2,751,451	(44,759,735)	76,709,888
Interest and sharia expense ^{**)}	(18,478,530)	(13,036,468)	(24,597,769)	(2,767,382)	(2,154,069)	(2,339,720)	-	(1,269,366)	39,758,785	(24,884,519)
Net interest and sharia income	10,125,043	5,881,089	29,210,070	4,375,751	1,078,543	4,128,177	545,561	1,482,085	(5,000,950)	51,825,369
Net premium income	-	-	-	-	-	-	3,227,766	-	(575,335)	2,652,431
Net interest and sharia and premium income	10,125,043	5,881,089	29,210,070	4,375,751	1,078,543	4,128,177	3,773,327	1,482,085	(5,576,285)	54,477,800
Other operating income:										
Other fees and commission	1,887,511	867,607	5,280,360	513,029	2,009,321	840,841	-	633,076	(591,743)	11,440,002
Other	278,724	907,043	3,291,858	3,360,808	(922,819)	527,537	447,407	750,842	(794,977)	7,846,423
Total	2,166,235	1,774,650	8,572,218	3,873,837	1,086,502	1,368,378	447,407	1,383,918	(1,386,720)	19,286,425
Reversal of/(allowance for) impairment losses on financial assets and others	(1,700,194)	(8,395,759)	(6,599,326)	(93,466)	(5,684,881) ^{***)}	(1,678,466)	-	(484,243)	(8,507)	(24,644,842)
Unrealised gains/(losses) from increase/(decrease) in fair value of marketable securities, government bonds, and policyholders' investment in unit-link contracts	-	-	-	-	(5,598)	-	22,369	(1,133)	-	15,638
Gain on sale of marketable securities and government bonds	-	-	-	-	700,004	-	12,547	33,353	-	745,904
Other operating expenses:										
Salaries and employee benefit	(178,037)	(70,055)	(2,102,311)	(229,876)	(8,136,489)	(1,485,175)	(454,578)	(962,224)	-	(13,618,745)
General and administrative expense	(136,966)	(35,578)	(2,361,765)	(196,582)	(8,690,145)	(1,569,460)	(905,148)	(637,902)	575,335	(13,958,211)
Other	(307,649)	(123,619)	(1,063,327)	(107,156)	(1,322,820)	(331,613)	(991,511)	(128,713)	685,166	(3,691,242)
Total	(622,652)	(229,252)	(5,527,403)	(533,614)	(18,149,454)	(3,386,248)	(2,351,237)	(1,728,839)	1,260,501	(31,268,198)
Non-operating Income/(expense) - net	-	-	-	689	22,328	2,863	(31,649)	(33,993)	-	(39,762)
Tax expense	-	-	-	-	(3,253,220)	(109,290)	(391,339)	(168,953)	-	(3,922,802)
Net income	9,968,432	(969,272)	25,655,559	7,623,197	(24,205,776)	325,414	1,481,425	482,195	(5,711,011)	14,650,163
Net income attributable to:										
Noncontrolling interest	-	-	-	-	-	-	-	-	-	843,598
Parent Entity	-	-	-	-	-	-	-	-	-	13,806,565
Consolidated statement of financial position										
Loans - gross	228,664,566	165,157,169	196,193,756	1,064,421	1,589,358	54,665,318	-	5,081,596	(3,093,231)	649,322,953
Total assets	245,009,460	158,931,151	192,665,508	120,134,228	201,441,163	78,831,721	29,746,748	25,714,089	(13,768,059)	1,038,706,009
Demand deposits/ Wadiah demand deposits	(92,357,811)	(40,435,471)	(45,497,602)	(2,268,645)	-	(6,860,851)	-	(80,244)	517,296	(186,983,328)
Saving deposit/ Wadiah saving deposits	(6,051,088)	(8,143,489)	(259,483,049)	(94,889)	-	(2,593,437)	-	(803,872)	-	(277,169,824)
Time deposits	(79,908,727)	(17,774,366)	(130,295,804)	(5,638,904)	-	-	-	(4,825,946)	536,669	(237,907,078)
Total deposit from customers	(178,317,626)	(66,353,326)	(435,276,455)	(8,002,438)	-	(9,454,288)	-	(5,710,062)	1,053,965	(702,060,230)
Total liabilities	(190,049,966)	(70,226,740)	(436,937,022)	(23,157,489)	(53,741,543)	(11,662,897)	(25,650,572)	(20,689,414)	7,555,745	(824,559,898)

^{*)} Appropriate with operation segments of Bank Mandiri (Note 2ak).

^{**)} Include component of internal transfer pricing among operating segments.

^{***)} Include elimination of internal transfer pricing or reclassification among operating segment and elimination against Subsidiaries.

^{****)} Represent impact of foreign exchange which not being allocated to each operating segment.

These consolidated financial statements are originally issued in Bahasa.

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56. SEGMENT INFORMATION (continued)

December 31, 2015 ^{*)}											
Account	Corporate	Commercial	Micro and Business	Consumer/ Individual	Treasury & Market	Head Office	Subsidiary - Sharia	Subsidiary - Insurance	Subsidiaries - other than Sharia and Insurance	Adjustment and elimination ^{***)}	Total
Consolidated statement of profit or loss and other comprehensive income											
Interest and sharia income ^{**)}	22,961,047	18,087,354	22,221,773	24,911,778	6,699,416	5,619,767	5,960,017	563,883	1,980,047	(37,434,955)	71,570,127
Interest and sharia expense ^{**)}	(15,602,692)	(11,044,146)	(10,299,032)	(13,251,341)	(3,075,044)	(2,319,080)	(2,438,224)	-	(834,364)	32,656,899	(26,207,024)
Net interest and sharia income	7,358,355	7,043,208	11,922,741	11,660,437	3,624,372	3,300,687	3,521,793	563,883	1,145,683	(4,778,056)	45,363,103
Net premium income	-	-	-	-	-	-	-	3,137,070	-	-	3,137,070
Net interest and sharia and premium income	7,358,355	7,043,208	11,922,741	11,660,437	3,624,372	3,300,687	3,521,793	3,700,953	1,145,683	(4,778,056)	48,500,173
Other operating income:											
Other fees and commission	1,473,053	1,090,116	2,067,761	3,924,852	628,743	397,209	531,382	-	499,485	(597,791)	10,014,810
Other	157,160	74,290	-	2,365,908	3,050,143	2,530,242	406,636	332,818	495,886	(1,049,215)	8,363,868
Total	1,630,213	1,164,406	2,067,761	6,290,760	3,678,886	2,927,451	938,018	332,818	995,371	(1,647,006)	18,378,678
Reversal of/(allowance for) impairment losses on financial assets and others	(417,617)	(3,299,185)	(3,692,115)	(1,765,019)	(107,010)	(1,423,487)****)	(1,046,506)	-	(317,315)	25,725	(12,042,529)
Unrealised gains/(losses) from increase/(decrease) in fair value of marketable securities, government bonds, and policyholders' investment in unit-link contracts	-	-	-	-	-	2,402	-	(19,100)	(1,608)	-	(18,306)
Gain on sale of marketable securities and government bonds	-	-	-	-	-	300,559	-	(6,852)	(18,208)	-	275,499
Other operating expenses:											
Salaries and employee benefit	(201,940)	(256,884)	(1,657,435)	(307,182)	(229,018)	(7,250,762)	(1,370,215)	(390,981)	(712,238)	-	(12,376,655)
General and administrative expenses	(159,579)	(108,898)	(1,192,220)	(1,021,764)	(207,086)	(7,344,762)	(1,436,005)	(812,102)	(517,435)	-	(12,799,851)
Other	(312,366)	(105,220)	(237,232)	(741,646)	(115,081)	(1,397,201)	(246,762)	(946,066)	(74,256)	597,793	(3,578,037)
Total	(673,885)	(471,002)	(3,086,887)	(2,070,592)	(551,185)	(15,992,725)	(3,052,982)	(2,149,149)	(1,303,929)	597,793	(28,754,543)
Non operating	-	-	-	-	-	-	-	-	-	-	-
Income/(expense) - net	-	-	1	-	872	55,397	13,804	(15,363)	(24,253)	-	30,458
Tax expense	-	-	-	-	-	(4,595,316)	(84,551)	(402,538)	(134,627)	-	(5,217,032)
Net income	7,897,066	4,437,427	7,211,501	14,115,586	6,645,935	(15,425,032)	289,576	1,440,769	341,114	(5,801,544)	21,152,398
Net income attributable to:											
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	817,430
Parent entity	-	-	-	-	-	-	-	-	-	-	20,334,968
Consolidated statement of financial position											
Loans - gross	196,591,585	160,621,315	102,960,908	72,250,040	1,425,147	2,180,817	50,265,370	-	1,646,977	(1,266,722)	586,675,437
Total assets	210,851,234	160,085,871	100,195,492	71,809,645	208,997,625	55,611,246	70,369,709	26,426,301	16,173,033	(10,456,747)	910,063,409
Demand deposits/											
Wadiah demand deposits	(86,552,341)	(38,120,057)	(37,191,011)	(2,350,335)	(2,191,203)	-	(5,818,708)	-	(57,625)	126,792	(172,154,488)
Saving deposit/	-	-	-	-	-	-	-	-	-	-	-
Wadiah saving deposits	(4,800,091)	(8,560,670)	(82,972,451)	(149,938,295)	(53,203)	-	(2,239,241)	-	(387,688)	-	(248,951,639)
Time deposits	(62,797,703)	(16,949,213)	(22,866,116)	(94,694,842)	(3,123,398)	-	-	-	(1,413,398)	618,466	(201,226,204)
Total deposit from customers	(154,150,135)	(63,629,940)	(143,029,578)	(246,983,472)	(5,367,804)	-	(8,057,949)	-	(1,858,711)	745,258	(622,332,331)
Total liabilities	(154,562,581)	(64,091,793)	(144,237,479)	(247,506,844)	(14,214,393)	(71,192,057)	(10,383,106)	(22,618,375)	(12,534,868)	5,142,791	(736,198,705)

^{*)} Appropriate with operation segments of Bank Mandiri (Note 2ak).

^{**)} Include component of internal transfer pricing among operating segments.

^{***)} Include elimination of internal transfer pricing or reclassification among operating segment and elimination against Subsidiaries.

^{****)} Represent impact of foreign exchange which not being allocated to each operating segment.

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56. SEGMENT INFORMATION (continued)

Geographical segment

The principal operations of the Group is managed in Indonesia, Asia (Singapore, Hong Kong, Timor Leste, Shanghai, Malaysia), Western Europe (England) and Cayman Islands. Information concerning the geographical segments of the Group is set out in the table below:

Information on geographical segment for the year ended December 31, 2016:

	Indonesia	Asia	West Europe	Cayman Islands	Consolidated
Consolidated statement of profit or loss and other comprehensive income					
Interest and sharia income	75,656,519	648,879	57,011	347,479	76,709,888
Interest and sharia expense	(24,778,779)	(88,552)	(15,095)	(2,093)	(24,884,519)
Net interest and sharia income	50,877,740	560,327	41,916	345,386	51,825,369
Net premium income	2,652,431	-	-	-	2,652,431
Net interest and sharia and premium income	53,530,171	560,327	41,916	345,386	54,477,800
Other operating income:					
Others fees and commissions	11,274,938	151,776	-	13,288	11,440,002
Others	7,760,010	76,447	6,505	3,461	7,846,423
Total	19,034,948	228,223	6,505	16,749	19,286,425
(Allowance for)/reversal of impairment losses on financial assets and others	(24,571,484)	(142,229)	-	68,871	(24,644,842)
Unrealised gains/(losses) from increase/(decrease) in fair value of marketable securities, government bonds, and policyholders' investment	15,694	(69)	-	13	15,638
Gain on sale of marketable securities and government bonds	713,252	13,194	-	19,458	745,904
Other operating expenses:					
Salaries and employee benefit	(13,450,410)	(142,202)	(16,448)	(9,685)	(13,618,745)
General, administrative expenses and others	(17,489,183)	(115,498)	(24,032)	(20,740)	(17,649,453)
Total	(30,939,593)	(257,700)	(40,480)	(30,425)	(31,268,198)
Non operating income/(expense) - net	49,455	(31,314)	-	(57,903)	(39,762)
Tax expense	(3,861,252)	(61,550)	-	-	(3,922,802)
Net Income	13,971,191	308,882	7,941	362,149	14,650,163
Net income attributable to:					
Noncontrolling interest	-	-	-	-	843,598
Parent Entity	-	-	-	-	13,806,565
Consolidated statement of financial position					
Loans	622,770,970	18,118,678	152,390	8,280,915	649,322,953
Total aset	992,414,913	30,002,644	2,344,461	13,943,991	1,038,706,009
Demand deposit/ <i>wadiah</i> demand deposits	(182,974,324)	(3,950,734)	(58,270)	-	(186,983,328)
Saving deposit/ <i>wadiah</i> saving deposits	(275,519,500)	(1,650,324)	-	-	(277,169,824)
Time deposits	(234,790,487)	(3,116,591)	-	-	(237,907,078)
Total deposit from customers	(693,284,311)	(8,717,649)	(58,270)	-	(702,060,230)
Total liabilities	(778,934,950)	(30,001,087)	(1,681,737)	(13,942,124)	(824,559,898)

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56. SEGMENT INFORMATION (continued)

Information on geographical segment for the year ended December 31, 2015:

	Indonesia	Asia	West Europe	Cayman Islands	Consolidated
Consolidated statement of profit or loss and other comprehensive income					
Interest and sharia income	70,785,127	498,088	48,064	238,848	71,570,127
Interest and sharia expense	(26,137,564)	(59,491)	(7,602)	(2,367)	(26,207,024)
Net interest and sharia income	44,647,563	438,597	40,462	236,481	45,363,103
Net premium income	3,137,070	-	-	-	3,137,070
Net interest and sharia and premium income	47,784,633	438,597	40,462	236,481	48,500,173
Other operating income:					
Other fees and commissions	9,890,713	108,816	-	15,281	10,014,810
Others	8,324,401	27,651	9,464	2,352	8,363,868
Total	18,215,114	136,467	9,464	17,633	18,378,678
(Allowance for)/reversal of impairment losses on financial assets and others	(12,017,145)	(82,013)	2,194	54,435	(12,042,529)
Unrealised gains/(losses) from fair value increase/(decrease) marketable securities, government bonds, and policyholders' investment	(18,621)	315	-	-	(18,306)
Gain on sale of marketable securities and government bonds	272,315	3,229	-	(45)	275,499
Other operating expenses:					
Salaries and employee benefit	(12,207,391)	(138,417)	(21,917)	(8,930)	(12,376,655)
General, administrative expenses and others	(16,220,389)	(108,800)	(21,055)	(27,644)	(16,377,888)
Total	(28,427,780)	(247,217)	(42,972)	(36,574)	(28,754,543)
Non operating income/(expense) - net	39,456	3,215	-	(12,213)	30,458
Tax expense	(5,184,006)	(31,373)	(1,653)	-	(5,217,032)
Net income	20,663,966	221,220	7,495	259,717	21,152,398
Net income attributable to:					
Noncontrolling interest	-	-	-	-	817,430
Parent Entity	-	-	-	-	20,334,968
Consolidated statement of financial position					
Loans	565,407,232	13,895,797	61,582	7,310,826	586,675,437
Total asset	876,142,485	21,856,619	2,543,040	9,521,265	910,063,409
Demand deposit/ <i>wadiah</i> demand deposits	(169,257,095)	(2,871,186)	(26,207)	-	(172,154,488)
Saving deposit/ <i>wadiah</i> saving deposits	(247,459,462)	(1,492,177)	-	-	(248,951,639)
Time deposits	(199,410,001)	(1,816,203)	-	-	(201,226,204)
Total deposit from customers	(616,126,558)	(6,179,566)	(26,207)	-	(622,332,331)
Total liabilities	(702,900,723)	(21,854,051)	(1,896,441)	(9,547,490)	(736,198,705)

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57. CAPITAL ADEQUACY RATIO

Capital risk management

Bank Mandiri's capital policy is to prudently diversify the source of its capital to anticipate the long-term strategic plan and to allocate capital efficiently to business segment that has a potential to provide an optimum risk of return, includes investment in subsidiaries in order to fulfil the stakeholders, including investor's and regulator's, expectations.

Bank Mandiri ensures it has sufficient capital to meet credit risk, market risk and operational risk, both in normal and stress conditions as well as becoming the basis for the Bank in implementing VBM (Value Based Management) through the measurement RORAC (Return on Risk Adjusted Capital) and RORWA (Return on Risk Weight Assets). With VBM, the Bank can identify business units, segments, products, regions that provide value to the Bank. Thus the bank can focus on developing business that provides the most value to the Bank.

The Bank refers to Bank Indonesia regulation in calculating the capital adequacy for credit risk, market risk and operational risk. For credit risk, the Bank uses Standardised Approach. Currently the Bank is developing the calculation methodology of capital adequacy with advanced approach, both regulatory (IRBA) and Economic Capital approach. Economic capital approach is developed for credit risk and operational risk. For the market risk, The Bank uses Standardised Model and The Bank has also used Value at Risk for its internal model. For operational risk, the Bank refers to Basel II Basic Indicator Approach and has simulated the Standardised Approach.

In the implementation of the FSA's Circular Letter No. 42/SEOJK. 03/2016 dated September 28, 2016 regarding the calculation of credit risk weighted assets using the standard approach, the results of the calculation of RWA of the Bank showed credit risk RWA for the position of December 31, 2016 amounted to Rp549,646,704. The position of market risk RWA and RWA with the standardized approach to operational risk Basic Indicator Approach approach shows the number of each of Rp1,800,778 and Rp91,932,008.

The Capital Adequacy Ratio (CAR) per December 31, 2016 calculated in accordance with FSA Regulation No. 34 /POJK.03/2016 dated September 22, 2016 on Amendments to the FSA Regulation No. 11/POJK.03/2016 concerning the Minimum Capital Requirement for Commercial Banks, while the CAR per December 31, 2015 calculated in accordance with PBI No. 15/12/PBI/2013 dated December 12, 2013 concerning Minimum Capital Requirement for Commercial Banks. The CAR (Bank Mandiri only) as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Capital:		
Core capital	130,356,495	93,252,808
Supplementary capital	7,075,719	14,135,338
Total Capital for credit risk, operational risk and market risk charge	<u>137,432,214</u>	<u>107,388,146</u>
Risk-Weighted Assets for credit	549,646,704	497,912,789
Risk-Weighted Assets for operasional	91,932,008	78,627,774
Risk-Weighted Assets for market risk	1,800,778	805,426
Total Risk-Weighted Assets for credit, operational and market risk charge	<u>643,379,490</u>	<u>577,345,989</u>

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57. CAPITAL ADEQUACY RATIO (continued)

Capital risk management (continued)

	December 31, 2016	December 31, 2015
CAR for core capital	20.26%	16.15%
CAR for credit risk	25.00%	21.57%
CAR for credit risk and operational risk	21.42%	18.63%
CAR for credit risk and market risk	24.92%	21.53%
CAR for credit risk, operational risk and market risk	21.36%	18.60%
Minimum CAR core capital	6.00%	6.00%
Minimum CAR based on risk profile	9.52%	9.00%

The Bank's capital adequacy ratio on a consolidated basis as of December 31, 2016 and 2015 including credit, operational and market risk is 20.75% and 17.99%, taking into account credit and operational risk is 20.79% and 18.02%.

58. NON-PERFORMING EARNING ASSETS RATIO, ALLOWANCE FOR IMPAIRMENT LOSSES ON EARNING ASSETS RATIO, SMALL-SCALE LOANS RATIO AND LEGAL LENDING LIMIT

Non-performing earning assets to total earning assets ratio (including off-balance sheet) as of December 31, 2016 and 2015 (Bank Mandiri only) are 2.45% and 1.54%, respectively. For Non-Performing Loan (NPL) ratio refer to Note 12.A.d.

The ratio of total allowance for impairment losses on earning assets provided by Bank Mandiri as of December 31, 2016 and 2015 compared to the minimum allowance for impairment losses on earning assets under the guidelines prescribed by Bank Indonesia as of December 31, 2016 and 2015 are 137.33% and 122.80%, respectively.

The ratio of small-scale and micro business loans to total loans provided by Bank Mandiri for the years ended as of December 31, 2016 and 2015 are 6.29% and 6.08%, respectively.

The Legal Lending Limit (LLL) as of December 31, 2016 and 2015 did not exceed the LLL regulation for related parties and third parties. LLL is calculated in accordance with Bank Indonesia Regulation No. 7/3/PBI/2005 dated January 20, 2005 regarding Legal Lending Limit for Commercial Bank as amended in Bank Indonesia Regulation No. 8/13/PBI/2006 dated October 5, 2006.

59. CUSTODIAL SERVICES AND TRUST OPERATIONS

Custodial services

Bank Mandiri started providing custodial services in 1995. The operating license for custodial services was renewed based on Decision Letter of Capital Market and Financial Institutions Supervisory Board No. KEP.01/PM/Kstd/1999 dated October 4, 1999. Bank Mandiri's Custodial, which is the part of Financial Institutions Coverage & Solutions Group, provides a full range of custodial services as follows:

- a. Settlement and handling services for script and scripless trading transactions;
- b. Safekeeping and administration of marketable securities and other valuable assets;
- c. Corporate action services which starting from administrating the safe keeping of customer's ownership right on marketable securities until that right become effective in the customer's account;
- d. Proxy services for its customers' General Meeting of Shareholders and General Meeting of bond holders;
- e. Reporting and information submission related to the customers' marketable securities and/or other valuable assets which is kept and administred by Bank Mandiri's custodial.

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59. CUSTODIAL SERVICES AND TRUST OPERATIONS (continued)

Custodial Services (continued)

In order to fulfill the investors' needs in investing on various marketable securities instruments, Bank Mandiri's Custodial has facilitate it by acting as:

- a. General custodial which provide services for investors that are investing in capital market or money market in Indonesia;
- b. Local custodial for American Depository Receipts (ADR) and Global Depository Receipts (GDR) which is needed by the investors to convert the companies' shares which are listed in local and overseas stock exchange (dual/multi listing);
- c. Sub-registry which provide services for investors that conduct transaction and investment in Government Bonds (either in form of Bonds or Treasury Bills) and SBI;
- d. Custodial for mutual funds and discretionary fund issued and managed by investment manager;
- e. Custodial of Euroclear for customer who is conducting investment and settlement of securities transactions listed in overseas market and recorded in Euroclear Operations Centre, Brussels. Bank Mandiri's Custodian is a direct member of Euroclear;
- f. Securities lending and borrowing as services for customers who want to maximise their investment return by lending their securities to securities companies through intermediary and guarantee of PT Kliring Penjaminan Efek Indonesia (PT KPEI);
- g. Custodial for Exchange Traded Fund (ETF) which issued and managed by an investment manager where the unit of participation will be traded on stock exchange;
- h. Custodial for Asset-Based Securities (Efek Beragun Aset (EBA)) in the form of collective investment contract (KIK) which was issued by the investment manager and custodial bank in relation to asset securitization transactions owned by banks or other financial institutions.

As of December 31, 2016 and 2015, Bank Mandiri's Custodial Operations has 819 and 663 customers (unaudited), respectively, which consist of pension funds, insurance companies, banks, institution, securities companies, mutual funds, other institution/legal entity and individual customer. Total portfolio by currencies as of December 31, 2016 are amounting to Rp391,312,991 (unaudited), USD1,460,738,660 (full amount) (unaudited), EUR106,336 (full amount) (unaudited) and HKDNil (full amount) (unaudited) and as of December 31, 2015 are amounting to Rp291,574,581 (unaudited), USD1,115,451,120 (full amount) (unaudited), EUR106,336 (full amount) (unaudited) and HKD153,500,000 (full amount) (unaudited). Assets kept in custodial services activities are not included in the consolidated financial statements of Bank Mandiri and its subsidiaries.

Bank Mandiri has insured the customer's portfolio against potential losses from safekeeping and transfer of securities in accordance with the FSA regulation.

Trust Operations

Bank Mandiri has provided trust operations services starting from 1983. The operating license for trust operations activities services was renewed and re-registered to Capital Market Supervisory Board and Financial Institution as stipulated in Decision Letter No. 17/STTD-WA/PM/1999 dated October 27, 1999. The type of services offered by the Bank are as follows:

- a. Trustee for bonds & MTN
- b. Escrow account Agent
- c. Paying agent
- d. Initial Public Offering/IPO Receiving Bank
- e. Security agent

As of December 31, 2016, Bank Mandiri as Trustee has 102 trustee customers with the total value of bonds and MTN issued amounting to Rp78,379,250 dan USD113,700,000 (full amount) (unaudited) and as of December 31, 2015 has 85 trustee customers with the total value of bonds and MTN issued amounting to Rp50,760,000 dan USD44,100,000 (full amount) (unaudited).

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59. CUSTODIAL SERVICES AND TRUST OPERATIONS (continued)

Trust Operations (continued)

Both Bank Mandiri's Trust operations and Custodial Services have received Quality Certification ISO 9001:2008.

Trust

A trustee services including managing customer's assets portfolio (the settlor) based on a written agreement between the Bank as the Trustee and customer's for the benefits of beneficiary.

Bank Mandiri has obtained the license principle and confirmation letter for the Trustee services based on Bank Indonesia's Letter No.15/30/DPB1/PB1-1 dated April 26, 2013 and No.15/32/DPB1/PB1-1 date August 28, 2013.

Functions of independent trust service are:

- a. "Paying Agent" which receive and transfer money and/or funds, and record cash in and cash out for and on behalf of the clients (the settlor).
- b. "Investment Agency" involve in placing, converting, and administering the placement of funds for and on behalf of the clients (the settlor).

The trust service provided by the Bank is also include managing customers from various segments, including oil & gas company, corporate and commercial, non-profit organization customers for activities among others distribution of gas sales results, sale and purchase/acquisition of companies, and pooling of funds for foreign aid.

60. CHANNELING LOANS

Channeling loans based on sources of funds and economic sectors are as follows (unaudited):

	December 31, 2016	December 31, 2015
Government:		
Agriculture	322,887	415,740
Manufacturing	14,543	14,543
	337,430	430,283

Bank Mandiri has been appointed to administer the loans received by the Government of the Republic of Indonesia in various currencies from several bilateral and multilateral financial institutions to finance the Government's projects through State Owned Enterprises, Region Owned Enterprises and Regional Governments, such as: Asian Development Bank, Banque Français & Credit National, Barclays, BNP Paribas, BNP Paribas & CAI Belgium, Calyon & BNP Paribas, CDC NES, Export Finance and Insurance Corporation (EFIC) Australia, IDA, International Bank for Reconstruction and Development, Japan Bank for International Cooperation, Kreditanstalt Fur Wiederaufbau, Nederland Urban Sector Loan & De Nederlanse Inveseringsbank voor Ontwikkelingslanden NV, Switzerland Government, RDI - KI, Spain, U.B Denmark, US Export Import Bank and Overseas Economic Cooperation Fund. However, based on the Regulation of the Ministry of Finance No. 40/PMK.05/2015 dated March 6, 2015 stated starting October 1, 2015 management administration of overseas loans are governed by the Ministry of Finance, resulting all of the loans governed by the administrative bank being taken over by the Ministry of Finance.

Channeling loans are not included in the consolidated statement of financial position as the credit risk is not borne by the Bank and its Subsidiaries. Bank Mandiri's responsibilities under the above arrangements include, among others, collections from borrowers and payments to the Government of principal, interest and other charges and the maintenance of loan documentation. As compensation, Bank Mandiri receives banking fee which varies from 0.05% - 0.50% from the average of outstanding loan balance in one year.

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61. RISK MANAGEMENT

Bank Mandiri segregates independent risk management function based on the requirement of Bank Indonesia's regulation and international best practices. Bank Mandiri adopts the Enterprise Risk Management (ERM) concept as comprehensive and integrated risk management strategy which in line with Bank's business process and operational needs. ERM implementation will give value added to the Bank and stakeholders.

ERM is a risk management process embedded in the business strategies and operations that are integrated into daily decision making processes. With ERM, the Bank establishes a systematic and comprehensive risk management framework (credit risk, market risk and operational risk) by connecting the capital management and business processes to risks. In addition, ERM also applies consolidated risk management to the subsidiaries, which will be implemented gradually to maximise the effectiveness of bank's supervision and value creation to the Bank based on Bank Indonesia Regulation No. 8/6/PBI/2006 dated January 30, 2006 and Financial Services Authority (FSA) Regulation No. 17/POJK.03/2014 regarding implementation of risk management integrated for financial conglomerates which coverage throughout the financial industry.

The Bank's risk management framework is based on FSA Regulation No. 18/POJK.03/2016 regarding Risk Management Implementation for Commercial Banks. The Bank's risk management framework is stated in the Bank Mandiri Risk Management Policy (BMRMP), which consists of several policies as the guideline to the business growth and as a business enabler to ensure the Bank conduct prudential principle by examining the risk management performance process (identification - measurement - monitoring - risk mitigation) for all organisation levels.

Active supervision by the Board of Directors and the Board of Commissioners on risk management activities, directly and indirectly, are implemented through the establishment of committees at the level of the Board of Commissioners which are Risk Monitoring Committee, Integrated Governance Committee, Remuneration and Nomination Committee and Audit Committee. The Executive Committee under the supervision of the Board of Directors consists of Asset & Liability Committee (ALCO), Risk Management Committee (RMC), Integrated Risk Management Committee (IRC), Capital & Subsidiaries Committee (CSC), Business Committee, Information Technology Committee (ITC), Human Capital Policy Committee (HCPC), Policy & Procedure Committee (PPC) dan Credit Committee.

From 9 Executive Committees, there are 4 committees that are directly involves in risk management, i.e RMC, IRC, ALCO and PPC. RMC is the committee that discuss and recommends policy and procedures as well as monitoring risks profile and managing all the Bank's risks. Integrated IRC is the committee that provide recommendation on the integrated risk management policy including the application of risk management in subsidiaries. IRC is based on the application of FSA Regulation No. 17/POJK.03/2014 regarding integrated risk management. IRC has members from subsidiaries and discuss as well as recommends the policy and application of integrated risk management. ALCO is the committee that manages Bank's asset and liability management, interest rate and liquidity and other areas that are related to the asset and liability management of the Bank. PPC is the committee that discuss and recommends the adjustment or improvement in the Bank's policy and procedures.

Committees under Board of Commissioners including Risk Monitoring Committee, Integrated Governance Committee and Audit Committee, which has the task and responsibility to perform review and evaluation on policy and execution of Bank's risk management, as well as providing inputs and recommendation to the Board of Commissioners in their monitoring tasks.

Operationally, the related Directorate with risk management is divided into two big parts, there are 1) credit approval as part of the four-eye principles, located at the Wholesale Risk Directorate and Retail Risk Directorate and 2) Independent Risk Management that is located in the Risk Management Directorate and Risk Management & Compliance Directorate. Risk Management & Compliance is headed by a Director that is responsible towards the Board of Director and also a member of the Integrated Risk Management Committee, and Policy & Procedure Committee. The bank has also established a Risk Management Working Unit under the Risk Management & Compliance. The Risk Management & Compliance Directorate is divided into 3 (three) groups, that is the Credit Portfolio Risk Group that is related to Credit Risk and portfolio and Risk Management integration through ERM, Market Risk Group and Operational Risk Group that is related to market risk, liquidity risk, and operational risk.

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61. RISK MANAGEMENT (continued)

The Risk Management Directorate and each strategic business unit are responsible for maintaining/coordinating 10 (ten) types of risk that faced by the Bank, discussing and proposing risk management policies and guidelines.

Bank Mandiri is developing the application of ICAAP, which aims to ensure that banks have a comprehensive risk measurement process and the calculation of capital is according to the risk profile and able to provide the capital needed. One part of the ICAAP, which is the preparation of Risk Appetite Statement (RAS), RAS is the type and degree of risk that could be taken / faced by the Bank within its risk capacity in order to achieve its business goals. The application of this ICAAP is to support the implementation of Basel II Pillar 2 as the best practice.

All risks will be reported in quarterly risk profile report and semi-annually Bank's soundness report in order to describe all embedded risks in the Bank's business activities, including consolidation with subsidiaries's risks.

In relations to the changes in the organizational structure of the Bank, namely the establishment of the Directorate of Distribution which is to optimize the role of the region, starting June 2016, Bank Mandiri created Regional Risk Dashboard as a means of monitoring risk management in each region. Risk management in the region is for inherent risks, especially credit risk for the region.

A. Credit risk

The Bank's credit risk management is mainly focused to improve the balance between prudent loan expansion and maintenance in order to prevent quality deterioration (downgrading) to Non Performing Loan (NPL) category and to optimise capital utilisation to achieve the optimum of Return On Risk Weighted Asset (RORWA).

To support this objective, the Bank periodically reviews and updates its policies and procedures for credit in general, by business segment and tools risk management. These policies and procedures are intended to provide a comprehensive credit risk management guideline for identification, measurement and mitigation of credit risks in the end-to-end loan acceptance process, from market targeting, loan analysis, approval, documentation, disbursement, monitoring/settlement process for non-performing/restructuring loans.

To improve the Bank's social role and concern to the environmental risk and as an implementation of Good Corporate Governance (GCG), the Bank has set up a Guideline for Technical Analysis of Environmental and Social in Lending which is used as a reference in analysing environmental risk in a credit analysis. This Guideline is in line with Bank Indonesia Regulation regarding the Quality of Asset Assessment on Commercial Bank regulating that the assessment on debtor business process should also consider the debtor's effort to maintain its environment.

In principle, credit risk management is implemented to transactional and portfolio levels. At the transactional level, the Bank has implemented the four-eye principles concept, whereby each loan approval involves Business Unit and Credit Risk Management Unit which work independently to make an objective credit decision. The four-eye principles is executed by Credit Committee according to the authority limit and the loan approval process is conducted through Credit Committee Meeting mechanism. Executive Credit Officer as Credit Committee members, must be highly competent as well as having strong capacity and integrity so that the loan granting process can be conducted objectively, comprehensively and prudently. To monitor the performance of the credit authority holders in approving and maintaining loans, the Bank has developed a database for authority-holder monitoring. By using this system, the Bank can monitor the amount and quality of the loans approved by the credit authority holders, so that the performance of the Executive Credit Officer can be monitored from time to time.

To mitigate credit risk, Credit Committee sets loan structure for every debtor through appropriate covenants that aligns with debtor needs and conditions. This is to ensure the debtor uses the loan effectively according to original purpose so that bank and debtor's interest are fulfilled. Guidelines for determining the structure of collateral in order to mitigate credit risk policy has been regulated in detail according to the SPK (Credit Standard Procedures) for each segment.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

The collateral that can be accepted by the Bank includes Movable Assets (among others cash, receivables, inventory, and marketable securities), Non-Movable Assets (among others property, land, and equipment), and personal/corporate guarantee. The collateral coverage criteria for each segment is divided as follows:

Segment	Collateral	Minimum Coverage Amount*)
Wholesale	Funded project	100% - 150% of credit limit
	Inventory	
	Receivable	
	Fixed Asset	
	Land or land and property	
	Other collateral accepted by the Bank	
Retail	Fixed asset	100% - 200% of credit limit
	Inventory	
	Receivable	
	Land or land and property	
	Other collateral accepted by the Bank	

*) Collateral coverage amount is determined by type and limit of credit facility, type and value of collateral and evaluation of debtor.

To guarantee the credit facility, fixed asset such as land and building are preferable than other types of collateral. The fair value of collateral is assessed by internal assessors (Credit Operation Unit) and an external assessors who have already been appointed by the Business Unit/Credit Recovery Unit.

Collateral can be exchanged as long as the new collateral fulfills marketability and collateral value adequacy criteria. If debtors failed to pay off their loan, the collateral will be liquidated as a second way out to ensure credit recovery.

To identify and measure risk of each credit application processed in the transactional level, as part of implementation of prudential banking, the Bank utilises Credit Risk Tools, which includes Credit Rating and Credit Scoring Tools, financial spread sheet, comprehensive Credit Analysis Memorandum. In portfolio has been carried out through master limit, ICLS (Integrated Credit Liabilities and name clearance).

The Rating and Scoring systems consist of Bank Mandiri Rating System (BMRS), Small Medium Enterprise Scoring System (SMESS), Micro Banking Scoring System (MBSS) and Consumer Scoring System (application, behaviour, collection and anti-attribution).

BMRS that has been developed by the Bank consists of Rating System for Corporate & Commercial segment, Rating System for Wholesale SME, Rating System for Project Finance, Rating System for Financial Institution - Bank, Rating System for Financial Institution - Non Bank (Multifinance), and Rating System for Bank Perkreditan Rakyat (BPR).

The Bank has also developed a Rating System for Financial Institutions/Banks, called Bank Mandiri Financial Institution Rating (BMFIR), so that the Bank can identify and measure the risk level of Bank Counterpart which can be tolerated in granting Credit Line facilities.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

As an effort to improve the measurement level of transactional risk to the Foreign Office, currently BMRS has implemented at Foreign Office. To support the development of Rating and Scoring model, the Bank has issued Guideline for the development of Credit Rating and Credit Scoring model, which is a complete guidance for the Bank in developing credit rating and credit scoring model. In addition, to monitor the performance of credit rating and credit scoring model, the Bank reviews the scoring and rating results conducted by Business Units. Besides, the Bank already has a guidance to set of probability of default (PD) to support implementation of internal rating based approach.

In order to monitor rating and scoring gathered in the database, the Bank prepares Credit Scoring Review and Rating Outlook which are issued quarterly and semi-annually. The reports contain performance scoring and rating parameters based on limit (Rp5,000 - Rp15,000 for middle commercial and above Rp15,000 for large commercial and corporate). The reports are useful for Business Units particularly as a reference in determining targeted customer which are good (performing), so that the quality of credit expansion process will improve.

As a preparation component for IRBA (Internal Rating Based Approach), the Bank has developed a Rating Model that aligns with PD, LGD and EAD development model for segments according to Basel Asset Class which are Corporate, Corporate SME, Project Finance, and Basel II Risk Parameter for Retail Segment. In both measuring economic capital for credit risk and to comply with Basel II, the Bank has been developing Long Term PD, and also reviewing Exposure at Default (EAD) and Lost Given Default (LGD) model internally.

The model developed by the Bank is validated internally by Risk Model Validator, which is an independent and separate unit from the model development unit. This is done to minimize analysis error in calculating credit risk, especially in calculating PD value and assigning debtor rating.

Aside from Credit Rating and Scoring, another tool used by the Bank is the loan monitoring system, which identifies debtors that may potentially experience difficulty in repaying their loan obligation. The Bank conducts early warning analysis called Watch List analysis for all Corporate and Commercial loans with collectability 1 and 2 on quarterly basis. Based on the analysis, the Bank determines account strategy and actions plan to prevent NPL.

The Bank also conducts Watch List analysis for Business Banking segment using individual method for debtors that have facility limit above Rp2,000 and portfolio method for debtor that have facility limit up to Rp2,000, in order to strengthen the monitoring over Business Banking's debtors. The expectation is that it could become an early warning and therefore could improve the management of NPL level of business banking debtors.

At the portfolio level, risk management is conducted through an active portfolio management approach in which the Bank proactively maintains portfolio diversification to optimum levels with risk exposure within the risk appetite level decided by the Bank. The Bank implements Portfolio Guideline (PG). PG consists of three items which include Industry Classification, Industry Acceptance Criteria and Industry Limit.

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61. RISK MANAGEMENT (continued)

A. Credit Risk (continued)

Industry Classification (IC) classifies industrial sectors into 3 categories based on the prospects and risks of the corresponding industry. The Bank uses IC in determining the industry market target. The second tool is Industry Acceptance Criteria (IAC) which gives basic criteria (quantitative and qualitative), which serves as key success factors in certain industrial sector. The Bank uses IAC in determining targeted customers. The third tool is Industry Limit (IL) which provides maximum exposure limit which can be given to a particular industrial sector.

PG has fundamentally changed the business process in credit where the Bank now proactively gives priority to industries which give economic value added and select the best companies and individuals within those industries (winner players) which are set as targeted customers. By using this proactive approach, the Bank has successfully attracted the companies that are profitable and classified in the prospective industrial sector. This proactive approach will also prevent risk concentration within one particular industry or particular debtor because the Bank actively limits the exposure through Limit Policies (Industry Limit and Debtor Limit). The Bank has been implementing an integrated Limit Management System Solution to monitor and manage limit and exposures, for both individual and portfolio level.

PG is being periodically reviewed and calculated the back testing for PG is conducted regularly so that the guideline will remain relevant and up-to-date and has predictive value at an acceptable level. The Bank has already reviewed Industry Classification to ensure the appropriateness of industry classification with the recent developments. To support the use of Industry Classification, the Bank set up Industry Portfolio Analysis to identify the performance of the Bank's portfolio in a specific industry sector.

Bank also issues Portfolio Outlook in an ad hoc manner to anticipate the changes of economic conditions which can influence the loan portfolio performance. The issuance of Portfolio Outlook is an early warning before the changes in economic condition as mentioned above affect the loan portfolio performance.

As part of its active portfolio management, the Bank always monitors the development of credit risk portfolio by calculating the Bank's credit risk profile which reflects the inherent risk and the effectiveness of the risk control system. The Bank also monitors the development and the quality of the portfolio based on concentration e.g. per business segment, 25 largest debtors, industrial sector, regions, product type, currency type and risk class. Therefore, the Bank can take preventive actions and risk mitigation in both individual and portfolio level.

To monitor the quality and to test the elasticity of portfolio quality (NPL and Yield) to changes in economic variables which can affect the Bank's capital adequacy, the Bank regularly and at ad hoc basis conducts a stress test to the credit portfolio e.g. for large borrower group, business segment, industry and products based on various scenarios. With this stress test, the Bank is able to get an understanding regarding the possibility of negative impact to the business performance of BankMandiri, as well as earlier anticipate and take steps for controlling portfolio and finding the best and optimal solution for short-term and long-term strategies. Therefore, the Bank's portfolio quality and capital adequacy can be well maintained.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

To continuously developing the quality of human resource in risk management, the Bank has developed a Risk Management Academy with 14 (fourteen) modules, specifically prepared for improving the knowledge and risk awareness of the Bank's employee.

- (i) Maximum exposure to credit risk before considering the financial effect of collateral held and other credit enhancement

Maximum credit risk exposures on financial assets are presented net after allowance for impairment losses without considering collateral and other credit supports as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Current accounts with Bank Indonesia	52,484,974	56,314,316
Current accounts with other banks	10,360,165	10,152,214
Placement with Bank Indonesia and other banks	73,616,927	37,320,863
Marketable securities**)		
Government		
Fair value through profit or loss	1,955,500	1,451,095
Available for sale	867,843	898,756
Non-government		
Fair value through profit or loss	2,817,467	1,998,275
Available for sale	21,366,566	16,390,715
Held to maturity	11,197,290	7,153,740
At cost	496,135	576,804
Government bonds***)		
Fair value through profit or loss	1,191,310	1,583,907
Available for sale	80,334,549	74,153,603
Held to maturity	11,142,896	20,811,293
At cost	5,027,262	6,054,722
Other receivables - trade transactions	14,167,271	13,184,766
Securities purchased under resale agreements	5,054,488	676,900
Derivatives receivables	239,260	700,884
Loans and sharia receivables/financing *)		
Corporate	222,057,965	193,600,635
Commercial	147,555,617	151,730,845
Retail	194,260,689	170,593,697
Sharia	52,831,922	48,468,418
Consumer financing receivables	11,531,838	7,907,449
Net investment in finance leases	829,945	598,359
Acceptances receivables	14,548,203	11,224,243

*) In accordance with the operating segments of Bank Mandiri

***) Excluding marketable securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

****) Excluding government bonds which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

- (i) Maximum exposure to credit risk before considering the financial effect of collateral held and other credit enhancement (continued)

	December 31, 2016	December 31, 2015
Other assets		
Accrued income	4,365,862	4,060,993
Receivables from customer transactions	1,010,636	762,373
Receivables from transactions related to ATM and credit card	472,950	477,159
Receivable from policyholder	504,474	476,807
Receivable from sale of marketable securities	30,285	99,610
Receivables from government bonds pledged as collateral	593,466	592,668
	942,913,755	840,016,109

Credit risk exposures relating to administrative accounts net after allowance for impairment losses as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Bank guarantees issued	74,105,942	74,276,897
Committed unused loan facilities granted	26,866,165	29,268,015
Standby letter of credit	13,155,067	12,710,551
Outstanding irrevocable letters of credit	12,090,306	10,800,349
	126,217,480	127,055,812

The above table represents the maximum financial assets exposure on credit risk to Bank Mandiri and Subsidiaries as of December 31, 2016 and 2015, without taking into account any collateral held or other credit support attached. For financial assets in the statement of financial position, the exposures set out above are based on carrying amounts as reported in the consolidated financial statements.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

- (i) Maximum exposure to credit risk before considering the financial effect of collateral held and other credit enhancement

Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down Bank Mandiri's and Subsidiaries' credit exposure at their gross amounts (without taking into account any allowance for impairment losses, collateral held or other credit support), as categorised by geographical region as of December 31, 2016 and 2015. For this table, Bank Mandiri and Subsidiaries have allocated exposures to regions based on the geographical area of where the transactions are recorded.

	December 31, 2016					Total
	Jawa & Bali	Sumatera	Kalimantan	Sulawesi	Others****)	
Current accounts with Bank Indonesia	52,484,974	-	-	-	-	52,484,974
Current accounts with other banks	8,287,906	3,938	5,379	508	2,065,483	10,363,214
Placement with Bank Indonesia and other banks	72,154,527	500	-	-	1,545,208	73,700,235
Marketable securities**)						
Government						
Fair value through profit or loss	1,437,182	-	-	-	518,318	1,955,500
Available for sale	-	-	-	-	867,843	867,843
Non Government						
Fair value through profit or loss	2,668,739	-	-	-	148,728	2,817,467
Available for sale	21,092,867	-	-	-	304,440	21,397,307
Held to maturity	10,378,616	-	-	-	884,822	11,263,438
At cost	638,190	-	-	-	-	638,190
Government Bonds ***)						
Fair value through profit or loss	1,191,310	-	-	-	-	1,191,310
Available for sale	80,334,549	-	-	-	-	80,334,549
Held to maturity	11,142,896	-	-	-	-	11,142,896
At cost	5,027,262	-	-	-	-	5,027,262
Other receivables-trade transactions	15,526,847	-	-	-	397,271	15,924,118
Securities purchased under resale agreements	5,054,488	-	-	-	-	5,054,488
Derivatives receivables	235,496	-	-	-	3,764	239,260
Loans *)						
Corporate	157,099,486	36,364,520	9,195,374	2,219,324	26,499,085	231,377,789
Commercial	121,654,327	26,896,058	7,929,253	5,047,447	629,549	162,156,634
Retail	129,473,151	34,486,574	16,324,160	15,966,394	4,872,933	201,123,212
Sharia	35,798,687	10,062,704	5,077,194	2,438,549	1,288,184	54,665,318
Consumer financing receivables	8,667,387	1,743,318	661,275	783,236	-	11,855,216
Net investment in finance leases	766,314	291	2,944	64,934	-	834,483
Acceptances receivables	13,176,646	-	-	-	1,612,598	14,789,244
Other assets						
Accrued income	3,516,458	381,487	130,578	122,760	214,579	4,365,862
Receivables from customer transactions	1,101,030	21,452	9,072	9,063	1,370	1,141,987
Receivables from transactions related to ATM and credit card	472,950	-	-	-	-	472,950
Receivable to policyholder	478,644	14,354	5,297	6,179	-	504,474
Receivable from sale of marketable securities	30,285	-	-	-	-	30,285
Receivables from Government Bonds pledged as collateral	593,466	-	-	-	-	593,466
	760,484,680	109,975,196	39,340,526	26,658,394	41,854,175	978,312,971

*) In accordance with the operating segments of Bank Mandiri.

***) Excluding marketable securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

****) Excluding government bonds which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

*****) Others included in the portfolio is the area of Papua and overseas branches.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

a) Geographical sectors (continued)

	December 31, 2015					Total
	Jawa & Bali	Sumatera	Kalimantan	Sulawesi	Others****)	
Current accounts with Bank Indonesia	56,314,316	-	-	-	-	56,314,316
Current accounts with other banks	8,610,621	13,473	6,096	-	1,525,436	10,155,626
Placement with Bank Indonesia and other banks	35,351,717	-	-	-	2,035,906	37,387,623
Marketable securities**)						
Government						
Fair value through profit or loss	1,437,312	-	-	-	13,783	1,451,095
Available for sale	-	-	-	-	898,756	898,756
Non Government						
Fair value through profit or loss	1,774,808	-	-	-	223,467	1,998,275
Available for sale	15,954,713	-	-	-	445,016	16,399,729
Held to maturity	6,673,346	-	-	-	637,639	7,310,985
At cost	718,416	1,298	-	-	-	719,714
Government Bonds ***)						
Fair value through profit or loss	1,583,907	-	-	-	-	1,583,907
Available for sale	74,153,603	-	-	-	-	74,153,603
Held to maturity	20,811,293	-	-	-	-	20,811,293
At cost	6,054,722	-	-	-	-	6,054,722
Other receivables-trade transactions	14,519,640	-	-	-	392,873	14,912,513
Securities purchased under resale agreements	676,900	-	-	-	-	676,900
Derivatives receivables	700,080	-	-	-	804	700,884
Loans *)						
Corporate	135,414,765	31,884,919	8,822,600	2,907,783	21,169,075	200,199,142
Commercial	120,768,090	25,669,019	7,914,177	4,453,020	610,171	159,414,477
Consumer/individual	53,627,669	8,718,771	4,398,617	4,521,041	984,037	72,250,135
Micro and Business Banking	53,785,560	24,628,823	12,055,475	10,660,909	3,415,546	104,546,313
Sharia	34,436,276	8,755,256	3,860,376	2,137,087	1,076,375	50,265,370
Consumer financing receivables	5,085,283	1,917,373	623,977	551,430	-	8,178,063
Net investment in finance leases	481,780	-	4,995	117,375	-	604,150
Acceptances receivables	10,210,519	-	-	-	1,120,754	11,331,273
Other assets						
Accrued income	3,269,319	360,690	166,803	115,654	148,527	4,060,993
Receivables from customer transactions	870,571	13,430	4,682	5,625	920	895,228
Receivables from transactions related to ATM and credit card	477,159	-	-	-	-	477,159
Receivable to policyholder	437,361	25,598	9,551	4,297	-	476,807
Receivable from sale of marketable securities	99,610	-	-	-	-	99,610
Receivables from Government Bonds pledged as collateral	592,668	-	-	-	-	592,668
	664,892,024	101,988,650	37,867,349	25,474,221	34,699,085	864,921,329

*) In accordance with the operating segments of Bank Mandiri.

**) Excluding marketable securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

***) Excluding government bonds which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

****) Others included in the portfolio is the area of Papua and overseas branches.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

a) Geographical sectors (continued)

Credit risk exposure relating to administrative accounts are as follows:

	December 31, 2016					Total
	Jawa & Bali	Sumatera	Kalimantan	Sulawesi	Others*)	
Administrative accounts						
Bank guarantees issued	73,082,123	1,070	-	-	1,183,091	74,266,284
Committed unused loan facilities granted	16,735,544	4,595,235	537,136	511,284	4,518,172	26,897,371
Outstanding irrevocable letters of credit	10,529,237	-	-	-	1,567,429	12,096,666
Standby letter of credit	13,016,362	-	-	-	148,198	13,164,560
	113,363,266	4,596,305	537,136	511,284	7,416,890	126,424,881
	December 31, 2015					
	Jawa & Bali	Sumatera	Kalimantan	Sulawesi	Others*)	Total
Administrative accounts						
Bank guarantees issued	72,782,994	12,319	7,933	2,027	1,705,818	74,511,091
Committed unused loan facilities granted	19,343,793	3,347,258	609,106	534,352	5,445,509	29,280,018
Outstanding irrevocable letters of credit	9,875,912	-	-	-	1,048,676	10,924,588
Standby letter of credit	12,542,046	-	-	-	193,679	12,735,725
	114,544,745	3,359,577	617,039	536,379	8,393,682	127,451,422

*) Others included in the portfolio is the area of Papua and overseas branches

b) Industry sectors

The following table breaks down Bank's credit exposure at gross amounts (without taking into account any allowance for impairment losses, collateral held or other credit enhancement), as categorised by the industry sectors as of December 31, 2016 and 2015.

	December 31, 2016						Total
	Government	Financial institution/ Bank	Manufacturing	Agriculture	Business services	Others****)	
Current accounts with Bank Indonesia	-	52,484,974	-	-	-	-	52,484,974
Current accounts with other banks	-	10,363,214	-	-	-	-	10,363,214
Placement with Bank Indonesia and other banks	-	73,700,235	-	-	-	-	73,700,235
Marketable securities**) Government							
Fair value through profit or loss	1,955,500	-	-	-	-	-	1,955,500
Available for sale	867,843	-	-	-	-	-	867,843
Non Government							
Fair value through profit or loss	-	2,796,778	-	-	1,550	19,139	2,817,467
Available for sale	-	14,826,335	439,580	150,000	1,174,665	4,806,727	21,397,307
Held to maturity	-	8,333,121	209,000	-	118,000	2,603,317	11,263,438
At cost	-	236,190	-	-	402,000	-	638,190
Government bonds****) Fair value through profit or loss	1,191,310	-	-	-	-	-	1,191,310
Available for sale	80,334,549	-	-	-	-	-	80,334,549
Held to maturity	11,142,896	-	-	-	-	-	11,142,896
At cost	5,027,262	-	-	-	-	-	5,027,262
Other receivables-trade transactions	-	2,815,337	4,389,250	80,365	99,771	8,539,395	15,924,118
Securities purchased under resale agreements	-	4,927,012	-	-	-	127,476	5,054,488
Derivatives receivables	-	168,560	14,112	10,565	197	45,826	239,260

**) Excluding marketable securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

****) Excluding government bonds which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

*****) Others including trading, restaurant and hotel, mining, transportation, warehousing, construction, electricity, gas and water, and social services.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

a) Geographical sectors (continued)

Credit risk exposure relating to administrative accounts are as follows:

December 31, 2016 (continued)							
	Government	Financial institution/ Bank	Manufacturing	Agriculture	Business services	Others****)	Total
Loans*)							
Corporate	11,181,967	974,421	61,297,836	32,766,662	24,356,339	100,800,564	231,377,789
Commercial	-	966,260	59,039,722	21,739,875	12,446,738	67,964,039	162,156,634
Retail	-	22,577	5,611,456	8,876,176	9,601,660	177,011,343	201,123,212
Sharia	233,942	4,873,021	4,197,872	4,117,885	5,154,274	36,088,324	54,665,318
Consumer financing receivables	23,547	-	3,053	5,184	71,968	11,751,464	11,855,216
Net investment in finance leases	2,351	-	3,528	4,730	158,162	665,712	834,483
Acceptances receivables	-	775,723	967,884	-	-	13,045,637	14,789,244
Other assets							
Accrued income	533,724	960,014	324,885	109,510	191,708	2,246,021	4,365,862
Receivables from customer transactions	-	64,558	-	-	-	1,077,429	1,141,987
Receivables from transactions related to ATM and credit card	-	-	-	-	-	472,950	472,950
Receivable to policyholders	-	504,474	-	-	-	-	504,474
Receivable from sale of marketable securities	-	30,285	-	-	-	-	30,285
Receivables from Government Bonds pledged as collateral	-	593,466	-	-	-	-	593,466
	112,494,891	180,416,555	136,498,178	67,860,952	53,777,032	427,265,363	978,312,971
December 31, 2015							
	Government	Financial institution/ Bank	Manufacturing	Agriculture	Business services	Others****)	Total
Current accounts with Bank Indonesia	-	56,314,316	-	-	-	-	56,314,316
Current accounts with other banks	-	10,155,626	-	-	-	-	10,155,626
Placement with Bank Indonesia and other banks	-	37,387,623	-	-	-	-	37,387,623
Marketable securities**) Government							
Fair value through profit or loss	1,451,095	-	-	-	-	-	1,451,095
Available for sale	898,756	-	-	-	-	-	898,756
Non Government							
Fair value through profit or loss	-	1,712,450	2,571	1,227	7,249	274,778	1,998,275
Available for sale	-	9,171,621	437,743	150,000	1,872,603	4,767,762	16,399,729
Held to maturity	-	4,840,202	1,102,783	-	68,000	1,300,000	7,310,985
At cost	-	317,714	-	-	402,000	-	719,714
Government Bonds****)							
Fair value through profit or loss	1,583,907	-	-	-	-	-	1,583,907
Available for sale	74,153,603	-	-	-	-	-	74,153,603
Held to maturity	20,811,293	-	-	-	-	-	20,811,293
At cost	6,054,722	-	-	-	-	-	6,054,722
Other receivables-trade transactions	-	2,059,301	6,855,457	125,742	-	5,872,013	14,912,513
Securities purchased under resale agreements	-	368,970	-	-	-	307,930	676,900
Derivatives receivables	-	420,423	239,419	1,007	3,148	36,887	700,884

*) In accordance with the operating segments of Bank Mandiri

**) Excluding marketable securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

***) Excluding government bonds which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

****) Others including trading, restaurant and hotel, mining, transportation, warehousing, construction, electricity, gas and water, and social services.

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61. RISK MANAGEMENT (continued)

A. Credit Risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

b) Industry sectors (continued)

	December 31, 2015 (continued)						Total
	Government	Financial institution/ Bank	Manufacturing	Agriculture	Business services	Others****)	
Loans *)							
Corporate	10,735,571	1,180,147	60,534,344	37,829,660	18,997,543	70,921,877	200,199,142
Commercial	-	1,041,870	61,359,106	18,592,864	11,332,673	67,087,964	159,414,477
Consumer/individual	-	-	-	-	-	72,250,135	72,250,135
Micro and Business Banking	-	39,331	5,022,897	9,484,104	7,131,799	82,868,182	104,546,313
Sharia	483,903	4,117,346	4,449,551	4,147,410	4,730,988	32,336,172	50,265,370
Consumer financing receivables	12,178	-	2,054	2,719	23,720	8,137,392	8,178,063
Net investment in finance leases	-	-	6,325	4,877	27,924	565,024	604,150
Acceptances receivables	-	618,354	366,594	-	-	10,346,325	11,331,273
Other assets							
Accrued income	454,720	860,430	166,379	4,816	141,334	2,433,314	4,060,993
Receivables from customer transactions	211	518,851	16,876	1,149	741	357,400	895,228
Receivables from transactions related to ATM and credit card	-	-	-	-	-	477,159	477,159
Receivable to policyholders	-	151,184	-	-	-	325,623	476,807
Receivable from sale of marketable securities	-	99,610	-	-	-	-	99,610
Receivables from Government Bonds pledged as collateral	-	592,668	-	-	-	-	592,668
	116,639,959	131,968,037	140,562,099	70,345,575	44,739,722	360,665,937	864,921,329

*) In accordance with the operating segments of Bank Mandiri

****) Others including trading, restaurant and hotel, mining, transportation, warehousing, construction, electricity, gas and water, and social services.

Credit risk exposure relating to administrative accounts items are as follows:

	December 31, 2016						Net
	Government	Financial institution/ Bank	Manufacturing	Agriculture	Business services	Others*)	
Administrative accounts							
Bank guarantees issued	39,368	22,261,310	21,299,224	1,422,966	690,567	28,552,849	74,266,284
Committed unused loan facilities granted	33	1,628,276	6,639,946	1,862,046	114,800	16,652,270	26,897,371
Outstanding irrevocable letters of credit	236,518	-	1,285,829	1,146	1,980,354	8,592,819	12,096,666
Standby letter of credit	-	-	476,534	-	836,340	11,851,686	13,164,560
	275,919	23,889,586	29,701,533	3,286,158	3,622,061	65,649,624	126,424,881

	December 31, 2015						Net
	Government	Financial institution/ Bank	Manufacturing	Agriculture	Business services	Others*)	
Administrative accounts							
Bank guarantees issued	60,479	25,208,943	20,293,915	74,293	504,200	28,369,261	74,511,091
Committed unused loan facilities granted	1,183	11,710,408	-	-	3,119,721	14,448,706	29,280,018
Outstanding irrevocable letters of credit	242,004	9,489	2,946,205	7,614	1,014,908	6,704,368	10,924,588
Standby letter of credit	-	-	453,874	27,570	556,348	11,697,933	12,735,725
	303,666	36,928,840	23,693,994	109,477	5,195,177	61,220,268	127,451,422

*) Others including trading, restaurant and hotel, mining, transportation, warehousing, construction, electricity, gas and water, and social services.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

c) Credit quality of financial assets

As of December 31, 2016 and 2015, exposure to credit work on financial assets are as follows:

	December 31, 2016					Net
	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Impairment provision	
Current account with Bank Indonesia	52,484,974	-	-	52,484,974	-	52,484,974
Current account with other bank	10,360,219	-	2,995	10,363,214	(3,049)	10,360,165
Placement with Bank Indonesia and others bank	73,656,832	-	43,403	73,700,235	(83,308)	73,616,927
Marketable securities **)						
Government						
Fair value through profit or loss	1,955,500	-	-	1,955,500	-	1,955,500
Available for sale	867,843	-	-	867,843	-	867,843
Non-government						
Fair value through profit or loss	2,817,467	-	-	2,817,467	-	2,817,467
Available for sale	21,397,307	-	-	21,397,307	(30,741)	21,366,566
Held to maturity	11,125,933	-	137,505	11,263,438	(66,148)	11,197,290
At cost	501,190	-	137,000	638,190	(142,055)	496,135
Government bonds ***)						
Fair value through profit or loss	1,191,310	-	-	1,191,310	-	1,191,310
Available for sale	80,334,549	-	-	80,334,549	-	80,334,549
Held to maturity	11,142,896	-	-	11,142,896	-	11,142,896
At cost	5,027,262	-	-	5,027,262	-	5,027,262
Other receivables - trade transactions	12,716,735	1,200	3,206,183	15,924,118	(1,756,847)	14,167,271
Securities purchased under resale agreements	5,054,488	-	-	5,054,398	-	5,054,488
Derivatives receivables	239,260	-	-	239,260	-	239,260
Loans*)						
Corporate	213,869,190	150,606	17,357,993	231,377,789	(9,319,824)	222,057,965
Commercial	128,745,223	1,010,123	32,401,288	162,156,634	(14,601,017)	147,555,617
Retail	181,976,743	8,434,122	10,712,347	201,123,212	(6,862,523)	194,260,689
Sharia	45,887,689	1,541,891	7,235,738	54,665,318	(1,833,396)	52,831,922
Consumer financing receivables	10,756,156	819,790	279,270	11,855,216	(323,378)	11,531,838
Net Investment in finance leases	788,684	35,031	10,768	834,483	(4,538)	829,945
Acceptances receivables	14,513,037	-	276,207	14,789,244	(241,041)	14,548,203
Other assets						
Accrued income	4,365,862	-	-	4,365,862	-	4,365,862
Receivables from customer transactions	978,787	-	163,200	1,141,987	(131,351)	1,010,636
Receivables from transactions related to ATM and credit card	472,950	-	-	472,950	-	472,950
Receivable to policyholders	504,474	-	-	504,474	-	504,474
Receivables from sale of marketable securities	30,285	-	-	30,285	-	30,285
Receivables from government bonds pledged as collateral	593,466	-	-	593,466	-	593,466
	894,356,311	11,992,763	71,963,897	978,312,971	(35,399,216)	942,913,755

*) In accordance with the operating segments of Bank Mandiri

**) Excluding marketable securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

***) Excluding government bonds which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

c) Credit quality of financial assets (continued)

As of December 31, 2016 and 2015, exposure to credit risk on financial assets are as follows (continued):

	December 31, 2015					Net
	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Impairment provision	
Current accounts with Bank Indonesia	56,314,316	-	-	56,314,316	-	56,314,316
Current accounts with other Banks	10,152,445	-	3,181	10,155,626	(3,412)	10,152,214
Placement with Bank Indonesia and other banks	37,341,522	-	46,101	37,387,623	(66,760)	37,320,863
Marketable securities **)						
Government						
Fair value through profit or loss	1,451,095	-	-	1,451,095	-	1,451,095
Available for sale	898,756	-	-	898,756	-	898,756
Non Government						
Fair value through profit or loss	1,998,275	-	-	1,998,275	-	1,998,275
Available for sale	16,399,729	-	-	16,399,729	(9,014)	16,390,715
Held to maturity	7,147,045	-	163,940	7,310,985	(157,245)	7,153,740
At cost	582,714	-	137,000	719,714	(142,910)	576,804
Government bonds ***)						
Fair value through profit or loss	1,583,907	-	-	1,583,907	-	1,583,907
Available for sale	74,153,603	-	-	74,153,603	-	74,153,603
Held to maturity	20,811,293	-	-	20,811,293	-	20,811,293
At cost	6,054,722	-	-	6,054,722	-	6,054,722
Other receivables-trade transactions	10,302,074	-	4,610,439	14,912,513	(1,727,747)	13,184,766
Securities purchased under resale agreements	676,900	-	-	676,900	-	676,900
Derivatives receivables	700,884	-	-	700,884	-	700,884
Loans*)						
Corporate	189,574,354	374,723	10,250,065	200,199,142	(6,598,507)	193,600,635
Commercial	138,690,267	2,169,339	18,554,871	159,414,477	(7,683,632)	151,730,845
Consumer	65,096,815	5,880,606	1,272,714	72,250,135	(1,223,343)	71,026,792
Micro and Bussiness Banking	95,548,213	5,046,917	3,951,183	104,546,313	(4,979,408)	99,566,905
Sharia	40,416,076	2,204,614	7,644,680	50,265,370	(1,796,952)	48,468,418
Consumer financing receivables	7,540,389	501,081	136,593	8,178,063	(270,614)	7,907,449
Net investment in finance leases	568,663	32,437	3,050	604,150	(5,791)	598,359
Acceptances receivables	10,686,186	-	645,087	11,331,273	(107,030)	11,224,243
Other assets						
Accrued income	4,060,993	-	-	4,060,993	-	4,060,993
Receivables from customer transactions	680,863	-	214,365	895,228	(132,855)	762,373
Receivables from transactions related to ATM and credit card	477,159	-	-	477,159	-	477,159
Receivable to policyholders	476,807	-	-	476,807	-	476,807
Receivable from sale of marketable securities	99,610	-	-	99,610	-	99,610
Receivables from government bonds pledged as collateral	592,668	-	-	592,668	-	592,668
	801,078,343	16,209,717	47,633,269	864,921,329	(24,905,220)	840,016,109

*) In accordance with the operating segments of Bank Mandiri

**) Excluding Marketable Securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

***) Excluding Government Bonds which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

c) Credit quality of financial assets (continued)

As of December 31, 2016 and 2015, exposure to credit risk on administrative accounts are as follows:

	December 31, 2016					
	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Impairment provision	Net
Administrative accounts						
Bank guarantees issued	73,474,100	-	792,184	74,266,284	(160,342)	74,105,942
Committed unused loan facilities granted	26,618,802	-	278,569	26,897,371	(31,206)	26,866,165
Outstanding irrevocable letters of credit	11,651,860	-	444,806	12,096,666	(6,360)	12,090,306
Standby letter of credit	13,147,719	-	16,841	13,164,560	(9,493)	13,155,067
	124,892,481	-	1,532,400	126,424,881	(207,401)	126,217,480

	December 31, 2015					
	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Impairment provision	Net
Administrative accounts						
Bank guarantees issued	56,136,976	-	18,374,115	74,511,091	(234,194)	74,276,897
Committed unused loan facilities granted	27,163,025	-	2,116,993	29,280,018	(12,003)	29,268,015
Outstanding irrevocable letters of credit	9,176,736	-	1,747,852	10,924,588	(124,239)	10,800,349
Standby letter of credit	12,373,404	-	362,321	12,735,725	(25,174)	12,710,551
	104,850,141	-	22,601,281	127,451,422	(395,610)	127,055,812

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

c) Credit quality of financial assets (continued)

As of December 31, 2016 and 2015, details of the quality of loans that are neither past due or nor impaired based on internal ratings are as follows:

	December 31, 2016		
	Not under Monitoring ¹⁾	Under monitoring ²⁾	Total
Assets			
Current accounts with Bank Indonesia	52,484,974	-	52,484,974
Current accounts with other banks	10,360,219	-	10,360,219
Placement with Bank Indonesia and other banks	73,656,832	-	73,656,832
Marketable securities **)			
Government			
Fair value through profit or loss	1,955,500	-	1,955,500
Available for sale	867,843	-	867,843
Non Government			
Fair value through profit or loss	2,817,467	-	2,817,467
Available for sale	21,397,307	-	21,397,307
Held to maturity	11,060,338	65,595	11,125,933
At cost	501,190	-	501,190
Government Bonds ***)			
Fair value through profit or loss	1,191,310	-	1,191,310
Available for sale	80,334,549	-	80,334,549
Held to maturity	11,142,896	-	11,142,896
At cost	5,027,262	-	5,027,262
Other receivables-trade transactions	11,222,937	1,493,798	12,716,735
Securities purchased under resale agreements	5,054,488	-	5,054,488
Derivatives receivables	239,260	-	239,260
Loans*)			
Corporate	186,196,595	27,672,595	213,869,190
Commercial	118,594,706	10,150,517	128,745,223
Retail	181,345,727	631,016	181,976,743
Sharia	45,887,689	-	45,887,689
Consumer financing receivables	10,756,156	-	10,756,156
Net Investment in finance leases	788,684	-	788,684
Acceptances receivables	8,507,747	6,005,290	14,513,037
Other assets			
Accrued income	4,365,862	-	4,365,862
Receivables from customer transactions	978,787	-	978,787
Receivables from transactions			
related to ATM and credit card	472,950	-	472,950
Receivable to policyholders	504,474	-	504,474
Receivable from sale of marketable securities	30,285	-	30,285
Receivables from government bonds pledged as collateral	593,466	-	593,466
Total	848,337,500	46,018,811	894,356,311

*) In accordance with operating segments of Bank Mandiri.

**) Excluding marketable securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

***) Excluding government bonds which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

c) Credit quality of financial assets (continued)

As of December 31, 2016 and 2015, details of the quality of loans that are neither past due nor impaired based on internal ratings are as follows (continued):

	December 31, 2015		
	Not under Monitoring ¹⁾	Under monitoring ²⁾	Total
Assets			
Current accounts with Bank Indonesia	56,314,316	-	56,314,316
Current accounts with other banks	10,152,445	-	10,152,445
Placement with Bank Indonesia and other banks	37,341,522	-	37,341,522
Marketable securities **)			
Government			
Fair value through profit or loss	1,451,095	-	1,451,095
Available for sale	898,756	-	898,756
Non Government			
Fair value through profit or loss	1,998,275	-	1,998,275
Available for sale	16,399,729	-	16,399,729
Held to maturity	7,095,395	51,650	7,147,045
At cost	582,714	-	582,714
Government Bonds ***)			
Fair value through profit or loss	1,583,907	-	1,583,907
Available for sale	74,153,603	-	74,153,603
Held to maturity	20,811,293	-	20,811,293
At cost	6,054,722	-	6,054,722
Other receivables-trade transactions	6,285,110	4,016,964	10,302,074
Securities purchased under resale agreements	676,900	-	676,900
Derivatives receivables	700,884	-	700,884
Loans*)			
Corporate	166,005,176	23,569,178	189,574,354
Commercial	114,191,247	24,499,020	138,690,267
Consumer	65,093,942	2,873	65,096,815
Micro and bussiness banking	95,018,115	530,098	95,548,213
Sharia	40,416,076	-	40,416,076
Consumer financing receivables	7,540,389	-	7,540,389
Net Investment in finance leases	568,663	-	568,663
Acceptances receivables	9,828,137	858,049	10,686,186
Other assets			
Accrued income	4,060,993	-	4,060,993
Receivables from customer transactions	680,863	-	680,863
Receivables from transactions			
related to ATM and credit card	477,159	-	477,159
Receivable to policyholders	476,807	-	476,807
Receivable from sale of marketable securities	99,610	-	99,610
Receivables from government bonds pledged as collateral	592,668	-	592,668
Total	747,550,511	53,527,832	801,078,343

*) In accordance with operating segments of Bank Mandiri.

***) Excluding Marketable Securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

****) Excluding Government Bonds which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

c) Credit quality of financial assets (continued)

As of December 31, 2016 and 2015, details of the loan's quality of administrative account that are neither past due nor impaired based on internal ratings are as follows:

	December 31, 2016		
	Not under monitoring ¹⁾	Under monitoring ²⁾	Total
Administrative accounts			
Bank guarantees issued	65,740,770	7,733,330	73,474,100
Committed unused loan facilities granted	24,962,702	1,656,100	26,618,802
Outstanding irrevocable letters of credit	9,569,562	2,082,298	11,651,860
Standby letters of credit	11,978,337	1,169,382	13,147,719
	112,251,371	12,641,110	124,892,481
	December 31, 2015		
	Not under Monitoring ¹⁾	Under monitoring ²⁾	Total
Administrative accounts			
Bank guarantees issued	53,299,741	2,837,235	56,136,976
Committed unused loan facilities granted	26,461,949	701,076	27,163,025
Outstanding irrevocable letters of credit	7,596,959	1,579,777	9,176,736
Standby letters of credit	11,299,998	1,073,406	12,373,404
	98,658,647	6,191,494	104,850,141

The credit quality of financial assets that are neither past due nor impaired is explained as follows:

- 1) Not under monitoring, there is no doubt on the recovery of the financial assets;
- 2) Under monitoring.

Bank Mandiri:

There are certain considerations in relation to the debtor's ability in repaying the loan at maturity date. However, up to December 31, 2016 and 2015, there was no late payment in term of principal installment as well as interest at maturity date. This amount includes credit exposure on marketable securities (export bills), other receivables - trade transactions and acceptance receivables with Bank Indonesia's collectability at two (special mention) but with no overdue as of December 31, 2016 and 2015.

Subsidiaries:

Financial assets which have experienced past due in the past but no overdue as of December 31, 2016 and 2015.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held and other credit support (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

c) Credit quality of financial assets (continued)

Aging analysis of financial assets that were past due, but not impaired can be disaggregated based on days overdue as of December 31, 2016 and 2015 are as follows:

	December 31, 2016			
	1 - 30 days	31 - 60 days	61 - 90 days	Total
Assets				
Other receivables - trade transactions	1,200	-	-	1,200
Loans *)				
Corporate	41,109	109,497	-	150,606
Commercial	267,340	479,142	263,641	1,010,123
Retail	3,178,124	4,364,058	891,940	8,434,122
Sharia	607,353	396,401	538,137	1,541,891
Consumer financing receivables	550,521	172,290	96,979	819,790
Net investment in finance leases	21,139	11,902	1,990	35,031
	4,666,786	5,533,290	1,792,687	11,992,763

	December 31, 2015			
	1 - 30 days	31 - 60 days	61 - 90 days	Total
Assets				
Loans*)				
Corporate	374,723	-	-	374,723
Commercial	1,566,836	104,893	497,610	2,169,339
Consumer/individual	4,514,899	768,711	596,996	5,880,606
Micro and business banking	2,583,048	1,244,111	1,219,758	5,046,917
Sharia	1,136,537	517,556	550,521	2,204,614
Consumer financing receivables	310,565	127,665	62,851	501,081
Net investment in finance leases	26,858	4,757	822	32,437
	10,513,466	2,767,693	2,928,558	16,209,717

*) According to changes in organizational structure of PT Bank Mandiri (Persero) Tbk. which is effective in beginning of year 2015.

(ii) Loans

The gross amount of impaired loans, along with the provision for impairment, by class of asset of December 31, 2016 and 2015, are summarised in the tables below:

	December 31, 2016 ¹⁾				
	Corporate	Commercial	Retail	Sharia	Total
Individually Impaired					
Gross amount	17,226,424	29,162,821	692,121	4,490,817	51,572,183
Allowance for impairment losses	(8,936,440)	(13,195,086)	(265,739)	(657,521)	(23,054,786)

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61. RISK MANAGEMENT (continued)

A. Credit Risk (continued)

(ii) Loans (continued)

December 31, 2016 and 2015, are summarised in the tables below:

	December 31, 2016 ^{*)} (continued)				
	Corporate	Commercial	Retail	Sharia	Total
Carrying amount	8,289,984	15,967,735	426,382	3,833,296	28,517,397
Collectively impaired					
Gross amount	131,569 ^{*)}	3,238,467 ^{*)}	10,020,226	2,744,921	16,135,183
Allowance for impairment losses	(256)	(284,128)	(3,190,040)	(608,813)	(4,083,237)
Carrying amount	131,313	2,954,339	6,830,186	2,136,108	12,051,946
Total gross amount	17,357,993	32,401,288	10,712,347	7,235,738	67,707,366
Allowance for impairment losses	(8,936,696)	(13,479,214)	(3,455,779)	(1,266,334)	(27,138,023)
Total carrying amount	8,421,297	18,922,074	7,256,568	5,969,404	40,596,343

^{*)} In accordance with operating segments of Bank Mandiri.

^{**)} Represent restructured and non performing debtors which had been subject to individual assessment but impairment loss are not recognised and therefore are collectively assessed.

	December 31, 2015 ^{*)}					
	Corporate	Commercial	Consumer/ individual	Micro and Business Banking	Sharia	Total
Individually impaired						
Gross amount	9,806,982	15,503,775	-	210,078	4,902,338	30,423,173
Allowance for impairment losses	(6,328,047)	(6,345,936)	-	(95,310)	(495,728)	(13,265,021)
Carrying amount	3,478,935	9,157,839	-	114,768	4,406,610	17,158,152
Collectively impaired						
Gross amount	443,083 ^{**)}	3,051,096 ^{**)}	1,272,714	3,741,105	2,742,342	11,250,340
Allowance for impairment losses	(603)	(230,217)	(582,837)	(2,026,554)	(669,077)	(3,509,288)
Carrying amount	442,480	2,820,879	689,877	1,714,551	2,073,265	7,741,052
Total gross amount	10,250,065	18,554,871	1,272,714	3,951,183	7,644,680	41,673,513
Total allowance for impairment losses	(6,328,650)	(6,576,153)	(582,837)	(2,121,864)	(1,164,805)	(16,774,309)
Total carrying amount	3,921,415	11,978,718	689,877	1,829,319	6,479,875	24,899,204

^{*)} In accordance with operating segments of Bank Mandiri

^{**)} Represent restructured and non performing debtors which had been subject to individual assessment but impairment loss are not recognised and therefore are collectively assessed.

(iii) Current accounts with other banks

	December 31, 2016		
	Non-impaired ^{*)}	Impaired	Total
Rupiah	508,370	-	508,370
Foreign currencies	9,851,849	2,995	9,854,844
Total	10,360,219	2,995	10,363,214
Less: Allowance for impairment losses	(54)	(2,995)	(3,049)
Net	10,360,165	-	10,360,165
	December 31, 2015		
	Non-impaired ^{*)}	Impaired	Total
Rupiah	471,250	-	471,250
Foreign currencies	9,681,195	3,181	9,684,376
Total	10,152,445	3,181	10,155,626
Less: Allowance for impairment losses	(231)	(3,181)	(3,412)
Net	10,152,214	-	10,152,214

^{*)} Including financial assets of Subsidiary engaged in sharia banking which are assessed based on Bank Indonesia Regulation.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(v) Marketable securities

	December 31, 2016		
	Non-impaired *)	Impaired**)	Total
Government			
Rupiah:			
Bonds	1,437,183	-	1,437,183
Foreign currencies:			
Treasury bills	1,386,161	-	1,386,161
Total	2,823,344	-	2,823,344
Non-government			
Rupiah:			
Investments in mutual fund	10,319,297	-	10,319,297
Bonds	6,639,169	-	6,639,169
Certificates of Bank Indonesia	6,411,220	-	6,411,220
Medium term notes	1,298,485	-	1,298,485
Export bills	614,521	120,123	734,644
Sharia corporation bonds	407,000	137,000	544,000
Negotiable certificate of deposit	451,986	-	451,986
Shares	5,621	-	5,621
Total	26,147,299	257,123	26,404,422
Foreign currencies:			
Bonds	5,136,262	-	5,136,262
Certificates of Bank Indonesia	3,080,041	-	3,080,041
Export bills	1,329,567	17,382	1,346,949
Treasury bills	148,727	-	148,727
Total	9,694,597	17,382	9,711,979
Total	35,841,896	274,505	36,116,401
	38,665,240	274,505	38,939,745
Less; Allowance for impairment losses	(49,544)	(189,400)	(238,944)
Bersih	38,615,696	85,105	38,700,801
	December 31, 2015		
	Non-impaired *)	Impaired**)	Total
Government			
Rupiah			
Bonds	1,437,312	-	1,437,312
Foreign currencies:			
Treasury bills	912,539	-	912,539
Total	2,349,851	-	2,349,851
Non Government			
Rupiah:			
Investments in mutual fund	7,217,013	-	7,217,013
Bonds	5,472,909	87,000	5,559,909
Certificates of Bank Indonesia	2,593,947	-	2,593,947
Medium term notes	1,466,283	-	1,466,283
Export bills	935,694	9,092	944,786
Negotiable Certificate of Deposit	609,097	-	609,097
Sharia corporate bonds	378,006	137,000	515,006
Shares	27,609	-	27,609
Total	18,700,558	233,092	18,933,650
Foreign currencies:			
Bonds	6,020,690	-	6,020,690
Export bills	1,183,049	67,848	1,250,897
Treasury bills	223,466	-	223,466
Total	7,427,205	67,848	7,495,053
Total	26,127,763	300,940	26,428,703
	28,477,614	300,940	28,778,554
Less: Allowance for impairment losses	(28,728)	(280,441)	(309,169)
Net	28,448,886	20,499	28,469,385

*) Including financial assets of Subsidiary engaged in sharia banking which are assessed based on Bank Indonesia Regulation.

**) Excluding marketable securities which are the investment from the Subsidiaries' policyholder's unit-link which has no credit risk exposure.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(vi) Other receivables - trade transactions

	December 31, 2016		
	Non-impaired *)	Impaired	Total
Rupiah:			
Usance L/C payable at sight	1,500,422	584,486	2,084,908
Others	7,082,276	490,431	7,572,707
Total	8,582,698	1,074,917	9,657,615
Foreign currencies:			
Usance L/C payable at sight	1,698,046	1,186,690	2,884,736
Others	2,437,191	944,576	3,381,767
Total	4,135,237	2,131,266	6,266,503
Less: Allowance for impairment losses	12,717,935 (60,175)	3,206,183 (1,696,672)	15,924,118 (1,756,847)
Net	12,657,760	1,509,511	14,167,271
	December 31, 2015		
	Non-impaired *)	Impaired	Total
Rupiah:			
Usance L/C payable at sight	3,303,112	148,175	3,451,287
Others	3,333,830	2,604,266	5,938,096
Total	6,636,942	2,752,441	9,389,383
Foreign currencies:			
Usance L/C payable at sight	2,479,967	576,194	3,056,161
Others	1,185,165	1,281,804	2,466,969
Total	3,665,132	1,857,998	5,523,130
Less: Allowance for impairment losses	10,302,074 (88,741)	4,610,439 (1,639,006)	14,912,513 (1,727,747)
Net	10,213,333	2,971,433	13,184,766

*) Including financial assets of Subsidiary engaged in sharia banking which are assessed based on Bank Indonesia Regulation.

(vii) Acceptances receivable

	December 31, 2016		
	Non-impaired	Impaired	Total
Rupiah	7,813,855	237,110	8,050,965
Foreign currencies	6,699,182	39,097	6,738,279
	14,513,037	276,207	14,789,244
Less: allowance for impairment losses	(42,113)	(198,928)	(241,041)
Net	14,470,924	77,279	14,548,203

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(vii) Acceptances receivable (continued)

	December 31, 2015		
	Non-impaired	Impaired	Total
Rupiah	2,233,381	184,661	2,418,042
Foreign currencies	8,452,805	460,426	8,913,231
	10,686,186	645,087	11,331,273
Less: Allowance for impairment losses	(32,933)	(74,097)	(107,030)
Net	10,653,253	570,990	11,224,243

(viii) Consumer financing receivables

	December 31, 2016		
	Non-impaired	Impaired	Total
Rupiah	11,575,946	279,270	11,855,216
Less: Allowance for impairment losses	(221,094)	(102,284)	(323,378)
Net	11,354,852	176,986	11,531,838

	December 31, 2015		
	Non-impaired	Impaired	Total
Rupiah	8,041,470	136,593	8,178,063
Less: Allowance for impairment losses	(216,322)	(54,292)	(270,614)
Net	7,825,148	82,301	7,907,449

(ix) Securities purchased under resale agreement

	December 31, 2016		
	Non-impaired	Impaired	Total
Rupiah			
Securities purchased under resale agreement	5,054,488	-	5,054,488

	December 31, 2015		
	Non-impaired	Impaired	Total
Rupiah			
Securities purchased under resale agreement	676,900	-	676,900

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(x) Investment in finance lease

	December 31, 2016		
	Non-impaired	Impaired	Total
Rupiah	823,715	10,768	834,483
Less: Allowance for impairment losses	(4,010)	(528)	(4,538)
Net	819,705	10,240	829,945
	December 31, 2015		
	Non-impaired	Impaired	Total
Rupiah	601,100	3,050	604,150
Less: Allowance for impairment losses	(4,971)	(820)	(5,791)
Net	596,129	2,230	598,359

(xi) Estimated losses on commitments and contingencies

	December 31, 2016		
	Non-impaired *)**)	Impaired	Total
Rupiah:			
Bank guarantees issued	41,766,022	304,975	42,070,997
Committed unused loan facilities granted	20,843,494	12	20,843,506
Outstanding irrevocable letters of credit	2,963,896	300,102	3,263,998
Standby letters of credit	1,868,480	-	1,868,480
Total	67,441,892	605,089	68,046,981
Foreign currencies:			
Bank guarantees issued	31,708,078	487,209	32,195,287
Committed unused loan facilities granted	5,775,308	278,557	6,053,865
Outstanding irrevocable letters of credit	8,687,964	144,704	8,832,668
Standby letters of credit	11,279,239	16,841	11,296,080
Total	57,450,589	927,311	58,377,900
	124,892,481	1,532,400	126,424,881
Less: Allowance for impairment losses	(41,301)	(166,100)	(207,401)
Net	124,851,180	1,366,300	126,217,480

*) Including financial assets of Subsidiary engaged in sharia banking which are assessed based on Bank Indonesia Regulation.

**) Including balance amounting to Rp113,895 which is classified as "special mention" and the calculation of provision for impairment losses is collectively assessed based on Bank Indonesia Regulation amounting to Rp41,301.

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61. RISK MANAGEMENT (continued)

A. Credit risk (continued)

(xi) Estimated losses on commitments and contingencies (continued)

	December 31, 2015		
	Non-impaired *)**)	Impaired	Total
Rupiah:			
Bank guarantees issued	23,113,143	13,964,682	37,077,825
Committed unused loan facilities granted	20,308,032	1,965,653	22,273,685
Outstanding irrevocable letters of credit	1,645,272	781,650	2,426,922
Standby letters of credit	1,894,635	76,282	1,970,917
Total	46,961,082	16,788,267	63,749,349
Foreign currencies:			
Bank guarantees issued	33,023,833	4,409,433	37,433,266
Committed unused loan facilities granted	6,854,993	151,340	7,006,333
Outstanding irrevocable letters of credit	7,531,464	966,202	8,497,666
Standby letters of credit	10,478,769	286,039	10,764,808
Total	57,889,059	5,813,014	63,702,073
	104,850,141	22,601,281	127,451,422
Less: Allowance for impairment losses	(7,906)	(387,704)	(395,610)
Net	104,842,235	22,213,577	127,055,812

*) Including financial assets of Subsidiary engaged in sharia banking which are assessed based on Bank Indonesia Regulation.

**) Including balance amounting to Rp59,065 which is classified as "special mention" and the calculation of provision for impairment losses is collectively assessed based on Bank Indonesia Regulation amounting to Rp7,906.

B. Market risk and liquidity risk

(i) Liquidity risk management

Liquidity risk represents potential loss due to the Bank's inability to fulfill all financial liabilities when they due from its financing cash flows and/or high quality liquid assets that can be pledged, without negatively impacting the Bank's activities and financial condition. The Bank's liquidity is influenced by the funding structure, asset liquidity, liabilities to counterparty and loan commitment to debtors. Liquidity risk is also caused by the inability of the Bank to provide liquidity at fair price which would impact the profitability and capital of the Bank.

The Bank's liquidity risk is measured through several indicators, which among others include primary reserve ratio (GWM ratio) and cash, secondary reserve (liquidity reserve), loan to funding ratio (LFR) and dependency on large customer deposits. GWM is a minimum current account required to be maintained by the Bank in the form of current accounts with Bank Indonesia or securities in which the minimum amount is set by Bank Indonesia based on certain percentage from total deposits from customers.

As of December 31, 2016, the Bank maintained primary reserve of 6.50% from total outstanding deposit denominated in Rupiah in accordance with the regulated limit, GWM LFR reserve of 0.00% and GWM secondary reserve of 9.84% from the outstanding deposit denominated in Rupiah. Meanwhile for the foreign exchange, the Bank maintained GWM at 8.12% from the outstanding deposits denominated in foreign exchange in accordance with the required regulatory limit (Bank only).

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(i) Liquidity risk management (continued)

Secondary reserve (liquidity reserve) is the Bank's liquidity tool to support primary reserve as liquidity reserve to anticipate unexpected needs of fund. In managing the secondary reserve, the Bank has liquidity reserve limit in the form of safety level limit, which represents the Bank's liquidity reserve projection for three subsequent months. As of December 31, 2016, the liquidity reserve balance is above safety level (unaudited).

LFR is a ratio of loan to third parties and qualified marketable securities issued by the bank in Rupiah and foreign currency. LFR is used to measure the portion of illiquid long-term asset in form of loans that are funded by deposits and marketable securities issued, which are usually short-term in nature. As of December 31, 2016, the Bank's LFR is 85.41%.

The Bank uses liquidity gap methodology to project its liquidity conditions in the future. Liquidity gap is created on the basis of maturity mismatch between the components of assets and liabilities (including off-balance sheet), which are organised into time periods (time buckets) based on their contractual maturity or behavioral maturity. As of December 31, 2016, the Bank's liquidity forecast up to 12 months in the future is at an optimal surplus position. The Bank's prepares alternative funding in order to deal with the possibility of the market liquidity diminishing or not in line with the Bank's prediction.

To determine the impact of changes in market factors and internal factors in extreme conditions (crisis) to the condition of liquidity, the Bank conducts stress testing of liquidity risk on a regular basis. The results of stress-testing in the first quarter of 2016 which was presented to the Management and Risk Monitoring Committee shows that the Bank can survive in times of liquidity crisis conditions. The Bank has Liquidity Contingency Plan (LCP) which covers funding strategy and pricing strategy. The funding strategy consists of money market lending, repo, bilateral loan, FX swap, sale of marketable securities. In LCP, the determination of liquidity condition and funding strategies has taken internal and external conditions into consideration.

To increase awareness of unstable economic condition, either from crisis in Europe or various domestic issues, Bank Mandiri also monitors external indicators, including USD/IDR exchange rate, Indonesia's five year Credit Default Swap (CDS), Spread between 5-years ROI compared with 5-years UST, composite stock price index (IHSG), Rupiah interest rate and USD interbank, Non Delivery Forward (NDF) USD/IDR 1M and the latest market informations.

The maturity profile as of December 31, 2016 and 2015 are based on the remaining period from these dates. Historically, there were a large portion of deposits to be renewed upon maturity. If there is a need for liquidity, Government Bonds (fair value through profit and loss and available for sale) can be liquidated by selling or using it as collateral in interbank market. Steps taken by the Bank in managing the maturity gap between monetary assets and liabilities is by setting a gap limit which has been adjusted with the Bank's and its Subsidiaries' ability to obtain immediate liquidity.

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(i) Liquidity risk management (continued)

The maturity profile of financial assets and liabilities presented using “discounted” cash flows method areas follows:

December 31, 2016								
Description	Total	No Maturity Contract	≤1 month	>1 month - ≤3 months	>3 months - ≤6 months	>6 months - ≤12 months	> 1year - ≤3 years	>3 years
Aset								
Current accounts with Bank Indonesia	52,484,974	-	52,484,974	-	-	-	-	-
Current accounts with other banks - gross	10,363,214	-	10,363,214	-	-	-	-	-
Placement with Bank Indonesia								
And other banks	73,700,235	311	71,514,632	1,532,753	532,636	76,500	43,403	-
Marketable securities - gross	56,790,587	19,911,092	2,081,921	4,293,565	4,696,011	7,748,028	9,885,201	8,174,769
Government bonds	98,933,278	-	260,648	8,859,912	5,811,917	2,644,546	28,307,082	53,049,173
Other receivables-trade								
Transactions - gross	15,924,118	-	3,797,664	6,419,127	4,593,172	32,253	-	1,081,902
Securities purchased under								
Resale agreements - gross	5,054,488	-	4,890,918	36,094	50,814	76,662	-	-
Deivative receivables - gross	239,260	-	80,041	37,812	32,699	21,695	61,919	5,094
Loans - gross	649,322,953	-	70,585,394	43,649,793	63,245,600	77,250,381	110,131,710	284,460,075
Consumer financing receivables- gross	11,855,216	-	242,125	487,031	736,621	1,512,599	6,216,748	2,660,092
Net Investment in finance								
Lease	834,483	-	37,679	71,937	97,735	183,361	403,426	40,345
Acceptance receivables - gross	14,789,244	-	3,383,411	5,275,667	5,109,506	1,013,986	6,674	-
Other asset - gross	7,109,024	504,475	3,647,778	196,680	229,334	299,367	653,088	1,578,302
	997,401,074	20,415,878	223,370,399	70,860,371	85,136,045	90,859,378	155,709,251	351,049,752
Allowance for impairment losses	(35,399,216)							
Total	962,001,858							
Liabilities								
Demand Deposits	186,983,328	-	186,983,328	-	-	-	-	-
Savings Deposits	277,169,824	-	277,169,824	-	-	-	-	-
Time Deposits	237,907,078	-	143,692,855	69,815,963	14,541,743	8,335,371	1,521,146	-
Deposits from other banks								
Demand and saving deposits	4,300,765	-	4,300,765	-	-	-	-	-
Interbank call money	1,280,952	-	897,301	141,252	242,399	-	-	-
Time deposits	3,757,479	-	1,418,254	344,342	143,980	771,050	1,079,853	-
Securities sold under repurchase agreements	3,353,042	-	830,819	-	-	-	2,522,223	-
Derivatives liabilities	502,469	-	126,809	111,891	36,755	173,743	46,985	6,286
Acceptance liabilities	14,789,244	-	3,383,411	5,275,667	5,109,506	1,013,986	6,674	-
Marketable securities issued	9,025,994	-	72,035	-	489,890	348,802	1,991,808	6,123,459
Accrued expenses	3,743,496	278,064	3,449,401	16,031	-	-	-	-
Other liabilities	5,338,978	83,743	2,765,261	1,541,438	948,536	-	-	-
Fund borrowings	35,882,757	-	1,186,216	3,139,035	2,036,674	6,302,967	1,493,453	21,724,412
Subordinates loans	215,432	-	7,876	10,652	-	7,876	31,503	157,525
	784,250,838	361,807	626,284,155	80,396,271	23,549,483	16,953,795	8,693,645	28,011,682
Maturity gap	213,150,236	20,054,071	(402,913,756)	(9,535,900)	61,586,562	73,905,583	147,015,606	323,038,070
Net positions, net of allowance for impairment losses	177,751,020							

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(i) Liquidity risk management (continued)

December 31, 2015

Description	Total	No Maturity Contract	≤1 month	>1 month - ≤3 months	>3 months - ≤6 months	>6 months - ≤12 months	> 1 year - ≤3 years	>3 years
Aset								
Current accounts with Bank Indonesia	56,314,316	-	56,314,316	-	-	-	-	-
Current accounts with other banks - gross	10,155,626	-	10,155,626	-	-	-	-	-
Placements with Bank Indonesia and other banks-gross	37,387,623	486	33,543,683	2,676,377	851,215	118,156	197,706	-
Marketable securities-gross	43,950,733	17,025,681	1,451,819	2,539,479	2,915,831	1,941,088	6,563,139	11,513,696
Government bonds	103,869,361	-	1,446,705	8,707,596	2,199,709	5,932,965	31,316,219	54,266,167
Other receivables-trade transactions-gross	14,912,513	-	4,158,868	5,611,062	3,989,722	41,571	7,680	1,103,610
Securities purchased under resale agreements-gross	676,900	-	489,923	36,143	75,969	74,865	-	-
Derivative receivables-gross	700,884	-	194,748	126,690	129,827	12,427	236,853	339
Loans-gross	586,675,437	-	57,448,611	39,269,859	57,095,905	87,114,894	94,946,018	250,800,150
Consumer financing receivables-gross	8,178,063	-	199,625	400,778	603,012	1,204,148	4,235,907	1,534,593
Net Investment in finance lease	604,150	-	31,853	59,275	82,805	145,049	273,819	11,349
Acceptances receivable-gross	11,331,273	-	2,698,122	4,382,326	2,786,489	1,464,336	-	-
Other assets-gross	6,602,465	476,807	3,034,027	265,385	271,144	312,090	672,747	1,570,265
	881,359,344	17,502,974	171,167,926	64,074,970	71,001,628	98,361,589	138,450,088	320,800,169
Allowance for impairment losses	(24,905,220)							
Total	856,454,124							
Liabilities								
Deposit from customers								
Demand deposits	172,154,488	-	172,154,488	-	-	-	-	-
Saving deposits	248,951,639	-	248,951,639	-	-	-	-	-
Time deposits	201,226,204	-	129,766,224	55,476,163	9,596,815	5,144,004	1,242,998	-
Deposits from other banks								
Demand and saving deposits	3,744,289	-	3,744,289	-	-	-	-	-
Interbank call money	3,764,363	-	3,660,975	103,388	-	-	-	-
Time deposits	5,127,585	-	2,545,510	1,276,182	939,540	365,753	600	-
Securities sold under repurchase agreements	4,863,171	-	2,341,504	-	-	-	2,521,667	-
Derivative payables	299,079	-	43,110	17,157	9,669	2,727	226,416	-
Acceptances payable	11,331,273	-	2,698,122	4,382,326	2,786,489	1,464,336	-	-
Marketable securities issued	2,398,178	-	77,768	-	411,921	-	1,308,984	599,505
Accrued expenses	3,490,801	209,445	3,267,592	13,764	-	-	-	-
Other liabilities	4,727,808	89,324	1,934,792	1,960,141	743,551	-	-	-
Fund borrowings	33,764,671	-	985,536	1,100,216	955,775	4,081,942	9,657,805	16,983,397
Subordinated loans	3,737,703	-	8,025	10,652	-	3,499,714	42,752	176,560
	699,581,252	298,769	572,179,574	64,339,989	15,443,760	14,558,476	15,001,222	17,759,462
Maturity gap	181,778,092	17,204,205	(401,011,648)	(265,019)	55,557,868	83,803,113	123,448,866	303,040,707
Net position, net of allowance for impairment losses	156,872,872							

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(i) Liquidity risk management (continued)

The following maturity table provides information regarding contractual maturities of financial liabilities based on undiscounted cash flows as of December 31, 2016 and 2015 as follows:

December 31, 2016								
Description	Total	No Maturity Contract	≤1 month	>1 month - ≤3 months	>3 months - ≤6 months	>6 months - ≤12 months	> 1 year - ≤3 years	>3 year
Liabilities								
Deposit from customers								
Demand deposits/ wadah demand deposit	187,183,081	-	187,183,081	-	-	-	-	-
Saving deposits/ wadah saving deposit	277,432,687	-	277,414,123	2,450	3,368	4,519	5,063	3,164
Time deposits	240,102,137	-	146,085,233	70,991,966	14,337,180	7,630,037	1,057,721	-
Deposits from other banks								
Demand and saving deposits	4,317,499	-	4,317,499	-	-	-	-	-
Interbank call money	1,347,183	-	926,304	157,682	263,197	-	-	-
Time deposits	3,855,969	-	1,580,588	227,387	194,859	773,258	1,079,877	-
Securities sold under repurchase agreements	4,330,346	-	832,346	-	-	-	3,498,000	-
Derivative payables	698,308	-	173,727	111,867	64,990	347,724	-	-
Acceptances payable	14,789,244	-	3,383,411	5,275,667	5,109,506	1,013,986	6,674	-
Marketable securities issued	9,341,811	-	72,035	-	541,203	350,000	2,205,649	6,172,924
Accrued expenses	3,743,496	278,064	3,449,401	16,031	-	-	-	-
Other liabilities	5,338,978	83,743	2,765,261	1,541,438	948,536	-	-	-
Fund borrowings	36,814,668	-	1,214,962	3,394,654	1,890,270	6,403,977	1,118,779	22,792,026
Subordinated loans	254,715	-	8,191	11,223	768	9,412	37,646	187,475
Total	789,550,122	361,807	629,406,162	81,730,365	23,353,877	16,532,913	9,009,409	29,155,589

December 31, 2015								
Description	Total	No Maturity Contract	≤1 month	>1 month - ≤3 months	>3 months - ≤6 months	>6 months - ≤12 months	> 1 year - ≤3 years	>3 year
Liabilities								
Deposit from customers								
Demand deposits/ wadah demand deposit	172,314,777	-	172,314,777	-	-	-	-	-
Saving deposits/ wadah saving deposit	249,203,885	-	249,176,290	4,172	5,228	6,940	7,076	4,179
Time deposits	203,106,041	-	130,707,371	56,078,496	9,768,485	5,268,100	1,283,589	-
Deposits from other banks								
Demand and saving deposits	3,747,587	-	3,747,587	-	-	-	-	-
Interbank call money	3,777,901	-	3,777,901	-	-	-	-	-
Time deposits	5,159,528	-	2,566,511	1,284,783	941,599	366,028	607	-
Securities sold under repurchase agreements	5,842,201	-	2,344,201	-	-	-	3,498,000	-
Derivative payables	300,757	-	43,672	17,798	10,747	3,503	225,037	-
Acceptances payable	11,331,273	-	2,698,122	4,382,326	2,786,489	1,464,336	-	-
Marketable securities issued	2,780,482	-	77,768	-	501,320	73,369	1,474,370	653,655
Accrued expenses	3,490,801	209,445	3,267,592	13,764	-	-	-	-
Other liabilities	4,727,808	89,324	1,934,792	1,960,141	743,551	-	-	-
Fund borrowings	35,029,953	-	1,269,478	1,209,373	1,018,295	4,168,637	9,890,883	17,473,287
Subordinated loans	4,213,172	-	43,021	80,644	104,988	3,724,690	50,343	209,486
Total	705,026,166	298,769	573,969,083	65,031,497	15,880,702	15,075,603	16,429,905	18,340,607

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(i) Liquidity risk management (continued)

The following maturity table provides information regarding contractual maturities of administrative accounts based on undiscounted cash flows as of December 31, 2016 and 2015 are as follows:

December 31, 2016								
Description	Total	No Maturity Contract	≤1 months	>1 months - ≤3 months	>3 months - ≤6 months	>6 months - ≤12 months	> 1 months - ≤3 years	>3 years
Administrative accounts								
Bank guarantees issued	74,266,284	-	74,266,284	-	-	-	-	-
Committed unused loan facilities granted	26,897,371	-	26,897,371	-	-	-	-	-
Outstanding irrevocable letters of credit	12,096,666	-	4,186,948	4,959,313	1,051,886	1,201,114	697,273	132
Standby letter of credit	13,164,560	-	13,164,560	-	-	-	-	-
	126,424,881	-	118,515,163	4,959,313	1,051,886	1,201,114	697,273	132

December 31, 2015								
Description	Total	No Maturity Contract	≤1 months	>1 months - ≤3 months	>3 months - ≤6 months	>6 months - ≤12 months	> 1 months - ≤3 years	>3 years
Administrative accounts								
Bank guarantees issued	74,511,091	-	74,511,091	-	-	-	-	-
Committed unused loan facilities granted	29,280,018	-	29,280,018	-	-	-	-	-
Outstanding irrevocable letters of credit	10,924,588	-	2,763,261	5,313,631	1,967,369	485,826	394,501	-
Standby letter of credit	12,735,725	-	12,735,725	-	-	-	-	-
	127,451,422	-	119,290,095	5,313,631	1,967,369	485,826	394,501	-

(ii) Interest rate risk management

Market risk of banking book arises due to changes in interest rates and exchange rates in banking book activities. Banking book's interest rate risk arises from movements in market interest rates as opposed to the position or transactions held by the Bank, which could affect the Bank's profitability (earnings perspective) as well as the economic value of the Bank's capital (economic value perspective).

Banking book's market risk is managed by optimising the structure of the Bank's statement of financial position to obtain maximum yield at acceptable risk level to the Bank. The controls over Banking book's market risk is performed by setting a limit which refers to the regulator's requirements and the internal policies, and is monitored on a weekly and monthly basis by the Market Risk Management Unit.

The sources of banking book's interest rate risk are repricing risk (repricing mismatch between asset and liability components), basis risk (usage of different interest rate reference), yield curve risk (changes in the shape and slope of the yield curve) and the option risk (loan repayment or release of deposit before maturity). The Bank uses the repricing gap and performs sensitivity analysis to obtain the projected Net Interest Income (NII) and Economic Value of Equity (EVE).

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(i) Liquidity risk management (continued)

a. Sensitivity to net income

The table below shows the sensitivity of net income to interest rate movement on Bank Mandiri as of December 31, 2016 and 2015 (Bank Mandiri only) as follows:

	<u>Increased by 100 bps</u>	<u>Decreased by 100 bps</u>
December 31, 2016		
Increase/(decrease) net income (Rp billion)	(1,456.47)	(246.17)
December 31, 2015		
Increase/(decrease) net income (Rp billion)	(907.58)	(41.84)

The above projections assumed that all other variables are held constant at reporting date.

b. Sensitivity to unrealised gains on available for sale marketable securities

The table below shows the sensitivity of Bank Mandiri's unrealised gains on available for sale marketable securities to movement of interest rates as of December 31, 2016 and 2015 (Bank Mandiri only) as follows:

	<u>Increased by 100 bps</u>	<u>Decreased by 100 bps</u>
December 31, 2016		
Increase/(decrease) unrealised gains on available for sale marketable securities (Rp billion)	280.60	(280.60)
December 31, 2015		
Increase/(decrease) unrealised gains on available for sale marketable securities (Rp billion)	321.16	(321.16)

The above projections assumed that all other variables are held constant at reporting date.

The sensitivities of unrealised gains on available for sale marketable securities do not incorporate hedging and actions that Bank Mandiri would take to mitigate the impact of this interest rate risk. In practice, Bank Mandiri proactively seeks to mitigate the effect of prospective interest movements.

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(ii) Interest rate risk management (continued)

c. Bank Mandiri's exposure to interest rate risk (repricing gap)

The tables below summarise Bank Mandiri's financial asset and liabilities at carrying amounts categorised by earlier of contractual repricing date or maturity dates:

	December 31, 2016									
	Interest bearing								Non interest bearing	Total
	Less than or equal to 1 month	Over 1 month but not more than 3 months	Over 3 months but not more than 1 year	Over 1 year but more than 2 years	Over 2 years but not more than 3 years	Over 3 years but not more than 4 years	Over 4 years but not more than 5 years	Over 5 years		
Current accounts with Bank Indonesia	-	-	-	-	-	-	-	-	52,484,974	52,484,974
Current accounts with other banks	8,892,740	-	-	-	-	-	-	-	1,470,474	10,363,214
Placements with Bank Indonesia and other banks	67,605,631	1,532,753	609,136	-	-	-	-	-	3,952,715	73,700,235
Marketable securities	885,690	3,224,410	7,583,395	1,818,633	1,866,742	365,302	780,409	4,428,343	35,837,663	56,790,587
Government bonds	40,478,769	595,587	7,246,395	3,353,505	6,845,733	2,874,107	6,014,041	18,192,914	13,332,227	98,933,278
Other receivables - trade transactions	733,633	2,325,524	1,796,140	-	-	-	-	-	11,068,821	15,924,118
Securities purchased under resale agreements	3,881,719	36,094	127,476	-	-	-	-	-	1,009,199	5,054,488
Derivative receivables	-	58	22,195	23,666	715	1,688	219	-	190,719	239,260
Loans	84,125,977	400,733,521	29,067,738	26,115,400	22,624,334	11,135,122	3,993,571	16,861,972	54,665,318	649,322,953
Consumer financing receivables	288,739	581,855	2,665,436	3,436,181	2,761,953	1,591,061	529,991	-	-	11,855,216
Net investment in finance lease	37,679	71,936	281,095	262,868	140,559	36,441	3,905	-	-	834,483
Acceptances receivable	-	-	-	-	-	-	-	-	14,789,244	14,789,244
Other assets	-	-	-	-	-	-	-	-	7,109,024	7,109,024
	<u>206,930,577</u>	<u>409,101,738</u>	<u>49,399,006</u>	<u>35,010,253</u>	<u>34,240,036</u>	<u>16,003,721</u>	<u>11,322,136</u>	<u>39,483,229</u>	<u>195,910,378</u>	<u>997,401,074</u>
Deposits from customers										
Demand deposits	22,991,788	9,323,225	26,527,005	25,897,567	19,018,251	14,434,717	10,997,065	50,932,860	6,860,850	186,983,328
Saving deposits	21,586,593	11,882,590	30,102,863	33,467,369	26,168,020	21,302,081	18,114,142	111,952,730	2,593,436	277,169,824
Time deposits	145,152,589	70,254,376	21,452,928	738,941	308,244	-	-	-	-	237,907,078
Deposits from other banks										
Demand and saving deposits	195,847	4,032,646	15,709	-	-	-	-	-	56,563	4,300,765
Interbank call money	1,257,420	23,532	-	-	-	-	-	-	-	1,280,952
Time deposits	1,506,254	346,067	825,304	641,175	438,679	-	-	-	-	3,757,479
Securities sold under repurchase agreements	830,819	-	-	2,522,223	-	-	-	-	-	3,353,042
Derivative payables	894	24	1,975	2,554	683	-	3,482	-	492,857	502,469
Acceptances payable	-	-	-	-	-	-	-	-	14,789,244	14,789,244
Marketable securities issued	-	-	838,692	823,016	1,069,293	99,520	1,883,067	3,937,406	375,000	9,025,994
Accrued expenses	7,682	95,438	4,903	2,560	-	-	-	-	3,632,913	3,743,496
Other liabilities	-	-	-	-	-	-	-	-	5,338,978	5,338,978
Fund borrowings	5,110,709	12,974,222	15,800,395	738,844	989,929	141,487	-	127,171	-	35,882,757
Subordinated loans	10,652	-	-	-	-	-	-	204,780	-	215,432
	<u>198,651,247</u>	<u>108,932,120</u>	<u>95,569,774</u>	<u>64,834,249</u>	<u>47,993,099</u>	<u>35,977,805</u>	<u>30,997,756</u>	<u>167,154,947</u>	<u>34,139,841</u>	<u>784,250,838</u>
Total interest repricing gap	<u>8,279,330</u>	<u>300,169,618</u>	<u>(46,170,768)</u>	<u>(29,823,996)</u>	<u>(13,753,063)</u>	<u>(19,974,084)</u>	<u>(19,675,620)</u>	<u>(127,671,718)</u>	<u>161,770,537</u>	<u>213,150,236</u>

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(ii) Interest rate risk management (continued)

c. Bank Mandiri's exposure to interest rate risk (repricing gap) (continued)

	December 31, 2016								Non interest bearing	Total
	Interest bearing									
	Less than or equal to 1 month	Over 1 month but not more than 3 months	Over 3 months but not more than 1 year	Over 1 year but more than 2 years	Over 2 years but not more than 3 years	Over 3 years but not more than 4 years	Over 4 years but not more than 5 years	Over 5 years		
Current accounts with Bank Indonesia	-	-	-	-	-	-	-	-	56,314,316	56,314,316
Current accounts with other banks	9,700,440	-	-	-	-	-	-	-	455,186	10,155,626
Placements with Bank Indonesia and other banks	30,404,983	2,736,377	909,370	151,606	-	-	-	-	3,185,287	37,387,623
Marketable securities	417,159	1,643,815	2,690,501	4,453,204	1,328,624	1,251,474	345,994	4,735,556	27,084,406	43,950,733
Government bonds	25,476,529	31,603,947	1,897,662	9,135,374	3,778,296	7,175,922	3,310,243	14,098,104	7,393,284	103,869,361
Other receivables - trade transactions	1,501,500	2,233,631	2,408,831	1,481	-	-	-	-	8,767,070	14,912,513
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	676,900	676,900
Derivative receivables	-	117	11,754	5,371	6,367	-	339	-	676,936	700,884
Loans	96,014,056	362,477,182	29,813,748	14,618,707	15,521,006	4,473,256	5,053,869	8,438,243	50,265,370	586,675,437
Consumer financing receivables	199,634	400,794	1,807,232	2,300,136	1,938,433	1,153,286	378,548	-	-	8,178,063
Net investment in finance lease	31,854	59,275	227,853	189,749	84,070	9,249	2,100	-	-	604,150
Acceptances receivable	-	-	-	-	-	-	-	-	11,331,273	11,331,273
Other assets	-	-	-	-	-	-	-	-	6,602,465	6,602,465
	<u>163,746,155</u>	<u>401,155,138</u>	<u>39,766,951</u>	<u>30,855,628</u>	<u>22,656,796</u>	<u>14,063,187</u>	<u>9,091,093</u>	<u>27,271,903</u>	<u>172,752,493</u>	<u>881,359,344</u>
Deposits from customers										
Demand deposits	57,624	-	166,091,002	-	-	-	-	-	6,005,862	172,154,488
Saving deposits	360,093	215,027,698	29,991,870	5,187	1,888	1,157	734	2,289	3,560,723	248,951,639
Time deposits	135,657,100	51,871,183	12,037,350	1,660,571	-	-	-	-	-	201,226,204
Deposits from other banks										
Demand and saving deposits	350,530	3,321,051	28,283	-	-	-	-	-	44,425	3,744,289
Interbank call money	3,764,363	-	-	-	-	-	-	-	-	3,764,363
Time deposits	448,429	1,196,901	3,190,016	292,239	-	-	-	-	-	5,127,585
Securities sold under repurchase agreements	2,341,504	-	-	-	2,521,667	-	-	-	-	4,863,171
Derivative payables	-	197	556	1,418	-	-	-	-	296,908	299,079
Acceptances payable	-	-	-	-	-	-	-	-	11,331,273	11,331,273
Marketable securities issued	-	-	411,921	489,478	819,506	-	99,505	-	577,768	2,398,178
Accrued expenses	1,721	96,793	1,868	531	-	-	-	-	3,389,888	3,490,801
Other liabilities	-	-	-	-	-	-	-	-	4,727,808	4,727,808
Fund borrowings	3,249,065	23,536,359	5,184,003	591,329	1,047,864	25,618	-	130,135	298	33,764,671
Subordinated loans	42,357	-	-	3,464,362	-	-	-	230,984	-	3,737,703
	<u>146,272,786</u>	<u>295,050,182</u>	<u>216,936,869</u>	<u>6,505,115</u>	<u>4,390,925</u>	<u>26,775</u>	<u>100,239</u>	<u>363,408</u>	<u>29,934,953</u>	<u>699,581,252</u>
Total interest repricing gap	<u>17,473,369</u>	<u>106,104,956</u>	<u>(177,169,918)</u>	<u>24,350,513</u>	<u>18,265,871</u>	<u>14,036,412</u>	<u>8,990,854</u>	<u>26,908,495</u>	<u>142,817,540</u>	<u>181,778,092</u>

To assess the impact of changes in interest rates and exchange rates at extreme conditions (crisis) to earnings and capital, the Bank conduct stress testing on the market risk of banking book regularly.

(iii) Pricing management

As part of the management of interest rate risk, the Bank implements pricing policy for loans or deposit products. The pricing policy is one of the Bank's strategy to maximise Net Interest Margin (NIM) and to support the Bank to dominate the market share by determining the competitive climate.

Bank consistently manage to apply the strategy as a market leader in terms of fund pricing. However, determining liquidity conditions and funding needs, the Bank may implement an aggressive strategy (greater than major competitors) or defensive (equal to or smaller than major competitors).

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(iii) Pricing management (continued)

In setting interest rates, the Bank implements risk-based pricing by providing a various credit interest rate to customers based on the level of credit risk. In order to minimise interest rate risk, the credit interest rate is adjusted with interest rate from cost of funds. Other than cost of funds, credit interest rates are determined by considering overhead costs, credit risk premiums and profit margins as well as taking into account the Bank's competitiveness with its major competitors. Credit rates can be either a floating or a fixed rate for certain tenors.

(iv) Market risk management

Market risk is the risk of loss due to the movement of market factors, consisting of interest rates and exchange rates on the trading portfolio which includes cash instruments and derivative instruments.

In the implementation of trading market risk management, the Bank applies segregation of duties principle by separating front office units (execute trading transactions), middle-office units (implementing risk management processes, developing policies and procedures) and back office units (execute the transaction settlement process).

Market risk analysis over treasury trading activity is performed on a daily basis using best practice approach and inline with the internal and external conditions apply.

(v) Foreign exchange risk management

Exchange rate risk represents potential loss arising from unfavourable exchange rate movements in the market when the Bank has an open position. The Bank applies a proper foreign exchange risk management to avoid loss arising from exchange rate changes or volatility. Exchange rate risk arises from foreign exchange currency transactions with customer or counterparty which leads to an open position in foreign currency or structural positions in foreign currency due to capital investment. The Bank manages exchange rate risk by monitoring and managing the Net Open Position (NOP) in accordance with internal limits and the regulation of Bank Indonesia.

The calculation of the net open position as of December 31, 2016 and 2015 is based on Bank Indonesia's Regulation No. 12/10/PBI/2010 dated July 1, 2010. In accordance with Bank Indonesia Regulation, the overall Net Open Position ratio is the sum of the absolute amount from the net difference between assets and liabilities for each foreign currency on statement of financial position are stated in Rupiah and the net difference between receivables and payables from commitments and contingencies for each foreign currency are recorded in administrative accounts are stated in Rupiah. While the net open position for the financial position is the net difference between total assets and liabilities for each foreign currency are stated in Rupiah.

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

a. Net open position

Net open position of Bank Mandiri by currencies (expressed in Rupiah) as of December 31, 2016 as follows:

Currency	Aset	Liabilities	Net open position
OVERALL (STATEMENT OF FINANCIAL POSITION AND ADMINISTRATIVE ACCOUNTS)***			
United State dollar	190,570,682	187,266,392	3,304,290
European euro	6,713,558	6,704,757	8,801
Singapore dollar	3,205,075	3,232,526	27,451
Japanese yen	500,298	512,173	11,875
Australian dollar	418,917	447,814	28,897
Great Britain Pound Sterling	339,546	314,308	25,238
Hong Kong Dollar	65,506	64,485	1,021
Others	4,078,919	4,680,724	686,595*)
Total			<u>4,094,168</u>
STATEMENT OF FINANCIAL POSITION			
United State dollar	179,441,984	151,154,887	28,287,097
European euro	4,133,128	3,889,783	243,345
Singapore dollar	3,077,206	2,126,959	950,247
Japanese yen	464,491	488,663	(24,172)
Australian dollar	345,168	323,001	22,167
Great Britain Pound Sterling	260,220	261,593	(1,373)
Hong Kong Dollar	61,464	43,056	18,408
Others	1,335,675	4,560,726	(3,225,051)**)
Total			<u>26,270,668</u>
Total Tier I dan Tier II Capital less investments in Subsidiaries (Note 57)			<u>137,432,214</u>
NOP ratio (Statement of financial position)			19,12%
NOP ratio (overall)			2.98%
Net Open Position ratio as of December 31, 2016 if calculated using November 2016 capital as follows (unaudited):			
November 2016 Capital			141,100,135
NOP ratio (Statement of financial position)			18.62%
NOP ratio (overall)***)			2.90%

*) Represents total from the absolute amount of difference between assets and liabilities from other foreign currencies.

***) Represents total from the amount of difference between assets and liabilities from other foreign currencies.

***) The calculation of bank's net open position based on Bank Indonesia's regulation No. 12/10/PBI/2010 dated July 1, 2010. Under the regulation, starting on July 1, 2010, the Bank is only required to keep the net open position of a maximum of 20% of total capital.

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

a. Net open position (continued)

Net open position of Bank Mandiri by currencies (expressed in Rupiah) as of December 31, 2015 as follows:

Currency	Assets	Liabilities	Net Open Position
OVERALL (STATEMENT OF FINANCIAL POSITION AND ADMINISTRATIVE ACCOUNTS)***			
United States Dollar	255,181,458	253,283,271	1,898,187
European Euro	4,175,272	4,183,295	8,023
Singapore Dollar	3,214,700	3,340,210	125,510
Japanese Yen	1,071,988	1,059,898	12,090
Australian Dollar	500,121	504,482	4,361
Great Britain Pound Sterling	584,069	547,126	36,943
Hong Kong Dollar	251,864	246,119	5,745
Others	5,199,373	6,107,021	1,039,026*)
Total			<u>3,129,885</u>
STATEMENT OF FINANCIAL POSITION			
United States Dollar	243,475,165	228,099,215	15,375,950
European Euro	4,100,636	3,502,583	598,053
Singapore Dollar	3,118,110	2,078,649	1,039,461
Japanese Yen	1,005,119	991,059	14,060
Australian Dollar	436,140	307,732	128,408
Great Britain Pound Sterling	498,225	464,574	33,651
Hong Kong Dollar	209,175	69,134	140,041
Others	2,003,727	5,415,625	(3,411,898)**)
Total			<u>13,917,726</u>
Total Tier I and Tier II Capital less investments in Subsidiaries (Note 57)			<u>107,388,146</u>
NOP Ratio (Statements of Financial Position)			12.96%
NOP Ratio (Overall)			2.91%

Net Open Position ratio as of December 31, 2015 if calculated using November 2015 capital as follows (unaudited):

Capital November 2015	106,123,011
NOP Ratio (Statements of Financial Position)	13.11%
NOP Ratio (Overall)***)	2.95%

*) Represents total from the absolute amount of difference between assets and liabilities from other foreign currencies.

***) Represents total from the amount of difference between assets and liabilities from other foreign currencies.

***) The calculation of bank's net open position based on Bank Indonesia's regulation No. 12/10/PBI/2010 dated July 1, 2010. Under the regulation, starting on July 1, 2010, the Bank is only required to keep the net open position of a maximum of 20% of total capital.

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

b. Bank Mandiri exposure to foreign currency exchange rate risk

The table below summaries the Group's exposure of foreign currency exchange rate risk as of December 31, 2016 and 2015. Included in the table are the Group's financial instruments at carrying amount, categorised by currencies.

	December 31, 2016								
	United States Dollar	European euro	Singapore dollar	Japanese Yen	Australian dollar	Hong Kong Dollar	Great Britain Pound Sterling	Others	Total
Asset									
Cash	1,710,796	187,511	773,117	93,166	149,888	7,003	37,240	109,688	3,068,409
Current accounts with Bank Indonesia	11,470,919	-	-	-	-	-	-	-	11,470,919
Current accounts with other banks	8,372,193	269,742	322,557	244,524	89,328	35,145	218,934	302,421	9,854,844
Placement with Bank Indonesia and other banks	35,407,101	43,404	-	-	-	8,860	-	83,385	35,542,750
Marketable securities	10,747,401	-	195,738	2,781	-	-	-	152,220	11,098,140
Government bonds	23,033,738	1,549,208	-	-	-	-	-	-	24,582,946
Other receivables- trade transactions	6,150,516	48,024	6,965	22,097	7,339	-	13,017	18,545	6,266,503
Tagihan derivatif	170,805	66,499	-	15	90	-	502	25	237,936
Derivatives receivable	87,954,943	1,959,304	1,321,318	1,402	5,358	392	30	1,327,585	92,570,332
Acceptances receivable	6,508,181	52,964	7,066	99,203	1,380	-	902	68,583	6,738,279
Other assets	734,909	35,690	4,663	245	126	22	2	23,763	799,420
Total asset	192,261,502	4,212,346	2,631,424	463,433	253,509	51,422	270,627	2,086,215	202,230,478
Liabilities									
Deposits from Customers									
Demand deposits/Wadiah	60,347,101	1,192,031	533,625	263,262	45,117	2,128	74,610	161,827	62,619,701
Saving deposits/Wadiah saving	28,259,562	649,443	1,004,091	38,595	160,257	7,684	168,813	15,533	30,303,978
Time deposits	24,220,362	1,791,129	447,978	26,248	75,325	12,973	8,673	2,866	26,585,554
Deposits from other banks									
Demand and saving deposits	2,071,352	7,341	20,887	7,638	-	-	-	-	2,107,218
Interbank call money	592,790	-	-	-	-	-	-	333,162	925,952
Time deposits	134,725	-	-	-	-	-	-	-	134,725
Derivative payable	436,731	61,938	-	280	-	-	526	54	499,529
Acceptances payable	6,507,794	52,964	7,066	99,203	1,380	-	902	68,970	6,738,279
Accrued Expenses	446,838	-	26,026	145	108	5,794	65	50,934	529,910
Other liabilities	2,733,959	175,359	54,832	52,187	39,807	4,961	7,108	23,882	3,092,095
Fund Borrowings	26,872,469	-	-	-	-	-	-	3,893,944	30,766,413
Subordinated Loans	204,780	-	-	-	-	-	-	-	204,780
Total liabilities	152,828,463	3,930,205	2,094,505	487,558	321,994	33,540	260,697	4,551,172	164,508,134
Net statements of financial position	39,433,039	282,141	536,919	(24,125)	(68,485)	17,882	9,930	(2,464,957)	37,722,344
Administrative accounts - net	1,369,270	(234,544)	(1,105,567)	19,070	(23,578)	(17,387)	26,611	301,083	334,958

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

b. Bank Mandiri exposure to foreign currency exchange rate risk (continued)

	December 31, 2015								
	United States Dollar	European Euro	Singapore Dollar	Japanese Yen	Australian Dollar	Hong Kong Dollar	Great Britain Pound Sterling	Others	Total
Asset									
Cash	1,466,964	230,627	758,831	90,896	253,618	8,836	19,881	93,594	2,923,247
Current accounts with Bank Indonesia	11,756,796	-	-	-	-	-	-	-	11,756,796
Current accounts with other banks Placement with Bank Indonesia	8,146,579	266,766	196,469	399,282	26,922	20,924	233,989	393,445	9,684,376
and other banks	25,568,049	46,101	-	-	-	-	-	212,848	25,826,998
Marketable securities	7,960,436	7,731	271,359	2,748	-	164,716	-	602	8,407,592
Government Bonds	24,538,404	141,909	-	-	-	-	-	-	24,680,313
Other receivables - trade transactions	5,337,532	103,607	19,467	9,201	1,093	-	14,464	37,766	5,523,130
Derivatives receivable	422,888	640	499	-	83	-	1,187	267,035	692,332
Loans	88,079,275	1,594,439	1,452,019	1,027,468	-	-	82	-	92,153,283
Acceptances receivable	8,629,960	52,020	172,432	50,110	2,061	-	2,309	4,339	8,913,231
Other assets	780,751	10,251	4,882	108	35	81	17	4,239	800,364
Total Assets	182,687,634	2,454,091	2,875,958	1,579,813	283,812	194,557	271,929	1,013,868	191,361,662
Liabilities									
Deposits from Customers									
Demand deposits/ <i>Wadiah</i> demand deposit	67,957,573	1,423,576	651,317	426,003	84,469	4,689	219,999	156,558	70,924,184
Saving deposits/ <i>Wadiah</i> saving deposit	27,281,211	87,952	519,234	30,015	27,554	322	5,877	66,929	28,019,094
Time deposits	21,896,472	82,589	244,436	5,765	29,443	50,702	3,649	2,497	22,315,553
Deposits from other banks									
Demand and saving deposits	1,616,028	258	16,335	-	-	-	-	-	1,632,621
Inter bank call money	1,964,363	-	-	-	-	-	-	-	1,964,363
Time deposits	406,657	-	-	-	-	-	-	-	406,657
Derivative payable	293,352	1,662	-	222	1,386	-	151	89	296,862
Acceptances payable	8,629,960	52,020	172,432	50,110	2,061	-	2,309	4,339	8,913,231
Accrued Expenses	515,375	1,764	30,938	-	18	6,417	33	16,374	570,919
Other liabilities	2,473,030	103,651	25,188	23,745	31,636	1,987	5,265	11,222	2,677,724
Fund Borrowings	24,434,666	-	-	-	-	-	-	4,140,421	28,575,087
Subordinated Loans	224,710	-	-	-	-	-	-	-	224,710
Total liabilities	157,695,397	1,753,472	1,659,880	535,860	176,567	64,117	237,283	4,398,429	166,521,005
Net statements of financial position	24,992,237	700,619	1,216,078	1,043,953	107,245	130,440	34,646	(3,384,561)	24,840,657
Administrative accounts - net	(472,548)	(514,230)	(1,082,683)	(465)	(132,769)	(73,820)	3,292	2,504,250	231,027

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

c. The balances of monetary assets and liabilities in foreign currencies are as follows:

	December 31, 2016	
	Rupiah Equivalent (in million)	Foreign Currencies (in thousand)
Asset		
Cash		
United States Dollar	1,710,796	126,984
European Euro	187,511	13,228
Singapore Dollar	773,117	83,024
Japanese Yen	93,166	809,646
Australian Dollar	149,888	15,416
Hong Kong Dollar	7,003	4,031
Great Britain Pound Sterling	37,240	2,249
Chinese Yuan	21,271	10,969
Others	88,417	6,563
	3,068,409	1,072,110
Deposits with Bank Indonesia		
United States Dollar	11,470,919	851,432
Deposits with other banks		
United States Dollar	8,372,193	621,428
European Euro	269,742	19,028
Singapore Dollar	322,557	34,639
Japanese Yen	244,524	2,125,002
Australian Dollar	89,328	9,187
Hong Kong Dollar	35,145	20,229
Great Britain Pound Sterling	218,934	13,225
Chinese Yuan	228,758	117,966
Others	73,663	5,468
	9,854,844	2,966,172
Placement with Bank Indonesia and other banks		
United States Dollar	35,407,101	2,628,102
European Euro	43,404	3,062
Hong Kong Dollar	8,860	5,100
Chinese Yuan	83,385	43,000
	35,542,750	2,679,264
Marketable securities		
United States Dollar	10,747,401	797,729
Singapore Dollar	195,738	21,020
Japanese Yen	2,781	24,159
Others	152,220	11,299
	11,098,140	854,207
Government bonds		
United States Dollar	23,033,738	1,709,686
European Euro	1,549,208	109,286
	24,582,946	1,818,972

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

c. The balances of monetary assets and liabilities in foreign currencies are as follows (continued):

	December 31, 2016	
	Rupiah Equivalent (in million)	Foreign Currencies (in thousand)-
Asset (continued)		
Other receivables - trade transactions		
United States Dollar	6,150,516	456,524
European Euro	48,024	3,388
Singapore Dollar	6,965	748
Japanese Yen	22,097	192,031
Australian Dollar	7,339	755
Great Britain Pound Sterling	13,017	786
Chinese Yuan	18,545	9,563
	6,266,503	663,795
Derivative receivables		
United States Dollar	170,805	12,678
European Euro	66,499	4,691
Japanese Yen	15	130
Australian Dollar	90	9
Great Britain Pound Sterling	502	30
Others	25	2
	237,936	17,540
Loan and sharia receivable/financing		
United States Dollar	87,954,943	6,528,480
European Euro	1,959,304	138,215
Singapore Dollar	1,321,318	141,895
Japanese Yen	1,402	12,184
Australian Dollar	5,358	551
Hong Kong Dollar	392	226
Great Britain Pound Sterling	30	2
Chinese Yuan	1,327,585	684,608
	92,570,332	7,506,161
Acceptances receivable		
United States Dollar	6,508,181	483,072
European Euro	52,964	3,736
Singapore Dollar	7,066	759
Japanese Yen	99,203	862,110
Australian Dollar	1,380	142
Great Britain Pound Sterling	902	55
Chinese Yuan	68,583	35,367
	6,738,279	1,385,241
Other assets		
United States Dollar	734,909	54,549
European Euro	35,690	2,517
Singapore Dollar	4,663	501
Japanese Yen	245	2,129
Australian Dollar	126	13
Hong Kong Dollar	22	13
Great Britain Pound Sterling	2	-
Chinese Yuan	23,763	12,254
	799,420	71,976
Total asset	202,230,478	19,886,870

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

c. The balances of monetary assets and liabilities in foreign currencies are as follows (continued):

	December 31, 2016	
	Rupiah Equivalent (in million)	Foreign Currencies (in thousand)
Liabilities		
Deposits from customers		
Demand deposits/ <i>wadiah</i> demand deposits		
United States Dollar	60,347,101	4,479,280
European Euro	1,192,031	84,089
Singapore Dollar	533,625	57,306
Japanese Yen	263,262	2,287,842
Australian Dollar	45,117	4,640
Hong Kong Dollar	2,128	1,225
Great Britain Pound Sterling	74,610	4,507
Chinese Yuan	157,357	81,146
Others	4,470	332
	62,619,701	7,000,367
Saving deposits/ <i>wadiah</i> saving deposit		
United States Dollar	28,259,562	2,097,574
European Euro	649,443	45,814
Singapore Dollar	1,004,091	107,828
Japanese Yen	38,595	335,405
Australian Dollar	160,257	16,482
Hong Kong Dollar	7,684	4,423
Great Britain Pound Sterling	168,813	10,197
Chinese Yuan	14,028	7,234
Others	1,505	112
	30,303,978	2,625,069
Time deposits		
United States Dollar	24,220,362	1,797,763
European Euro	1,791,129	126,351
Singapore Dollar	447,978	48,108
Japanese Yen	26,248	228,105
Australian Dollar	75,325	7,747
Hong Kong Dollar	12,973	7,467
Great Britain Pound Sterling	8,673	524
Chinese Yuan	2,866	1,478
	26,585,554	2,217,543
Deposits from other banks		
Demand and saving deposits		
United States Dollar	2,071,352	153,747
European Euro	7,341	518
Singapore Dollar	20,887	2,243
Japanese Yen	7,638	66,378
	2,107,218	222,886
Interbank call money		
United States Dollar	592,790	44,000
Chinese Yuan	333,162	171,805
	925,952	215,805

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

c. The balances of monetary assets and liabilities in foreign currencies are as follows (continued):

	December 31, 2016	
	Rupiah Equivalent (in million)	Foreign Currencies (in thousand)
Liabilities (continued)		
Time deposits		
United States Dollar	134,725	10,000
Derivative payables		
United States Dollar	436,731	32,416
European Euro	61,938	4,369
Japanese Yen	280	2,433
Great Britain Pound Sterling	526	32
Others	54	4
	499,529	39,254
Acceptances payable		
United States Dollar	6,507,794	483,043
European Euro	52,964	3,736
Singapore Dollar	7,066	759
Japanese Yen	99,203	862,110
Australian Dollar	1,380	142
Great Britain Pound Sterling	902	54
Chinese Yuan	68,970	35,566
	6,738,279	1,385,410
Accrued expenses		
United States Dollar	446,838	33,167
Singapore Dollar	26,026	2,795
Japanese Yen	145	1,260
Australian Dollar	108	11
Hong Kong Dollar	5,794	3,335
Great Britain Pound Sterling	65	4
Chinese yuan	50,927	26,262
Others	7	1
	529,910	66,835
Others liabilities		
United States Dollar	2,733,959	202,929
European Euro	175,359	12,370
Singapore Dollar	54,832	5,888
Japanese Yen	52,187	453,525
Australian Dollar	39,807	4,094
Hong Kong Dollar	4,961	2,856
Great Britain Pound Sterling	7,108	429
Chinese yuan	3,769	1,944
Others	20,113	1,493
	3,092,095	685,528
Fund borrowings		
United States Dollar	26,872,469	1,994,616
Chinese Yuan	3,893,944	2,008,026
	30,766,413	4,002,642
Subordinated loans		
United States Dollar	204,780	15,200
	204,780	15,200
Total Liabilities	164,508,134	18,486,539

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

c. The balances of monetary assets and liabilities in foreign currencies are as follows (continued):

	December 31, 2015	
	Rupiah Equivalent (in million)	Foreign Currencies (in thousand)
Assets		
Cash		
United States Dollar	1,466,964	106,417
European Euro	230,627	15,317
Singapore Dollar	758,831	77,757
Japanese Yen	90,896	793,713
Australian Dollar	253,618	25,151
Hong Kong Dollar	8,836	4,968
Great Britain Pound Sterling	19,881	973
Chinese Yuan	33,140	15,611
Others	60,454	4,385
	2,923,247	1,044,292
Current accounts with Bank Indonesia		
United States Dollar	11,756,796	852,869
Current accounts with other banks		
United States Dollar	8,146,579	590,974
European Euro	266,766	17,717
Singapore Dollar	196,469	20,132
Japanese Yen	399,282	3,486,570
Australian Dollar	26,922	2,670
Hong Kong Dollar	20,924	11,764
Great Britain Pound Sterling	233,989	11,448
Chinese Yuan	182,851	86,135
Others	210,594	15,277
	9,684,376	4,242,687
Placements with Bank Indonesia and other banks		
United States Dollar	25,568,049	1,854,773
European Euro	46,101	3,062
Chinese Yuan	212,848	100,265
	25,826,998	1,958,100
Marketable securities		
United States Dollar	7,960,436	577,471
European Euro	7,731	513
Singapore Dollar	271,359	27,806
Japanese Yen	2,748	23,996
Hong Kong Dollar	164,716	92,605
Others	602	44
	8,407,592	722,435
Government bonds		
United States Dollar	24,538,404	1,780,080
European Euro	141,909	9,425
	24,680,313	1,789,505
Other receivables - trade transactions		
United States Dollar	5,337,532	387,199
European Euro	103,607	6,881
Singapore Dollar	19,467	1,995
Japanese Yen	9,201	80,344

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

c. The balances of monetary assets and liabilities in foreign currencies are as follows (continued):

	December 31, 2015	
	Rupiah Equivalent (in million)	Foreign Currencies (in thousand)
Assets (continued)		
Other receivables - trade transactions (continued)		
Australian Dollar	1,093	108
Great Britain Pound Sterling	14,464	708
Others	37,766	2,740
	5,523,130	479,975
Derivative receivables		
United States Dollar	422,888	30,677
European Euro	640	43
Singapore Dollar	499	51
Australian Dollar	83	8
Great Britain Pound Sterling	1,187	58
Others	267,035	19,371
	692,332	50,208
Loan and sharia receivable/financing		
United States Dollar	88,079,275	6,389,501
European Euro	1,594,439	105,896
Singapore Dollar	1,452,019	148,788
Japanese Yen	1,027,468	8,971,952
Great Britain Pound Sterling	82	4
	92,153,283	15,616,141
Acceptances receivable		
United States Dollar	8,629,960	626,040
European Euro	52,020	3,455
Singapore Dollar	172,432	17,669
Japanese Yen	50,110	437,565
Australian Dollar	2,061	204
Great Britain Pound Sterling	2,309	113
Others	4,339	315
	8,913,231	1,085,361
Other assets		
United States Dollar	780,751	56,638
European Euro	10,251	681
Singapore Dollar	4,882	500
Japanese Yen	108	943
Australian Dollar	35	3
Hong Kong Dollar	81	46
Great Britain Pound Sterling	17	1
Others	4,239	308
	800,364	59,120
Total assets	191,361,662	27,900,693

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

c. The balances of monetary assets and liabilities in foreign currencies are as follows (continued):

	December 31, 2015	
	Rupiah Equivalent (in million)	Foreign Currencies (in thousand)
Liabilities		
Deposits from customers		
Demand deposits/ <i>wadiah</i> demand deposits		
United States Dollar	67,957,573	4,929,820
European Euro	1,423,576	94,548
Singapore Dollar	651,317	66,740
Japanese Yen	426,003	3,719,900
Australian Dollar	84,469	8,377
Hong Kong Dollar	4,689	2,636
Great Britain Pound Sterling	219,999	10,764
Others	156,558	11,357
	70,924,184	8,844,142
Saving deposits/ <i>wadiah</i> saving deposit		
United States Dollar	27,281,211	1,979,050
European Euro	87,952	5,841
Singapore Dollar	519,234	53,206
Japanese Yen	30,015	262,094
Australian Dollar	27,554	2,733
Hong Kong Dollar	322	181
Great Britain Pound Sterling	5,877	288
Others	66,929	4,855
	28,019,094	2,308,248
Time deposits		
United States Dollar	21,896,472	1,588,427
European Euro	82,589	5,485
Singapore Dollar	244,436	25,047
Japanese Yen	5,765	50,341
Australian Dollar	29,443	2,920
Hong Kong Dollar	50,702	28,505
Great Britain Pound Sterling	3,649	179
Others	2,497	181
	22,315,553	1,701,085
Deposits from other banks		
Demand and saving deposits		
United States Dollar	1,616,028	117,231
European Euro	258	17
Singapore Dollar	16,335	1,674
	1,632,621	118,922
Interbank call money		
United States Dollar	1,964,363	142,500
Time deposits		
United States Dollar	406,657	29,500

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

c. The balances of monetary assets and liabilities in foreign currencies are as follows (continued):

	December 31, 2015	
	Rupiah Equivalent (in million)	Foreign Currencies (in thousand)
Liabilities (continued)		
Derivative payables		
United States Dollar	293,352	21,281
Euro	1,662	110
Japanese Yen	222	1,939
Australian Dollar	1,386	137
Great Britain Pound Sterling	151	7
Others	89	6
	296,862	23,480
Acceptances payable		
United States Dollar	8,629,960	626,040
Euro	52,020	3,455
Singapore Dollar	172,432	17,669
Japanese Yen	50,110	437,565
Australian Dollar	2,061	204
Great Britain Pound Sterling	2,309	113
Others	4,339	315
	8,913,231	1,085,361
Accrued expenses		
United States Dollar	515,375	37,387
Euro	1,764	117
Singapore Dollar	30,938	3,170
Australian Dollar	18	2
Hong Kong Dollar	6,417	3,608
Great Britain Pound Sterling	33	2
Others	16,374	1,188
	570,919	45,474
Others liabilities		
United States Dollar	2,475,030	179,545
Euro	103,651	6,884
Singapore Dollar	25,188	2,581
Japanese Yen	23,745	207,344
Australian Dollar	31,636	3,137
Hong Kong Dollar	1,987	1,117
Great Britain Pound Sterling	5,265	258
Others	11,222	814
	2,677,724	401,680
Fund borrowings		
United States Dollar	24,434,666	1,772,555
Chinese Yuan	4,140,421	1,950,407
	28,575,087	3,722,962
Subordinated loans		
United States Dollar	224,710	16,301
Total Liabilities	166,521,005	18,439,655

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(v) Foreign exchange risk management (continued)

d. Sensitivity to net income

The table below shows the sensitivity of Bank Mandiri's net income to movement of foreign exchange rates as of December 31, 2016 and 2015:

	<u>Increased by 5%</u>	<u>Decreased by 5%</u>
December 31, 2016		
Increase/(decrease) net income	1,414,355	(1,414,355)
December 31, 2015		
Increase/(decrease) net income	768,797	(768,797)

The projection above assumes only changes in foreign currency exchange rate of US Dollar while other foreign exchange rates remain unchanged. US Dollars is the majority foreign exchange rate held by the Bank. The projection also assumes that all other variables are held constantly at reporting date.

(vi) Fair value of financial assets and liabilities

Valuation is also an important component to manage most of all risks in banking industry including market risk, credit risk and liquidity risk. Valuation process is performed on all trading book position including marketable securities owned by the Group in its available for sale portfolio.

The table below analysis financial instruments carried at fair value based on method of valuation levels. The difference at each level of assessment methods is described as follows:

- Quoted prices (not adjusted) from active market for asset or liability which are the same/identical (level 1);
- Inputs other than quoted market prices included in Level 1 that are observable for the asset and liability, either directly (as a price) or indirectly (derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (unobservable information) (Level 3);

The table below shows Group assets and liabilities that are measured at fair value as of December 31, 2016 and 2015:

	December 31, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
Assets measured at fair value				
Marketable securities				
Fair value through profit or loss	19,506,513	3,117,296	-	22,623,809
Available for sale	9,969,796	12,295,354	-	22,265,150
Government bonds				
Fair value through profit or loss	2,382,055	46,516	-	2,428,571
Available for sale	20,450,043	59,884,506	-	80,334,549
Derivative payables	-	239,260	-	239,260

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(vi) Fair value of financial assets and liabilities (continued)

The table below shows Group assets and liabilities that are measured at fair value as of December 31, 2016 and 2015 (continued):

	December 31, 2016			Fair value
	Level 1	Level 2	Level 3	
Assets disclosed at fair value				
Held to maturity				
Marketable securities	2,989,881	8,282,406	-	11,272,287
Government bonds	1,825,421	9,335,752	-	11,161,173
Loans	-	182,684,175	422,301,582	604,985,757
Consumer financing receivables	-	12,529,745	-	12,529,745
Net investment in financing leases	-	928,918	-	928,918
Liabilities measured at fair value				
Derivative payables	-	502,469	-	502,469
Liabilities disclosed at fair values				
Securities issued	-	8,988,033	-	8,988,033
Borrowings	-	35,770,305	-	35,770,305
Subordinated loans	-	215,432	-	215,432

	December 31, 2015			Fair value
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Marketable securities				
Fair value through profit or loss	16,677,923	1,943,626	-	18,621,549
Available for sale	6,108,710	11,189,775	-	17,298,485
Government Bonds				
Fair value through profit or loss	2,188,605	661,138	-	2,849,743
Available for sale	4,978,086	69,175,517	-	74,153,603
Derivatives receivables	-	700,884	-	700,884
Assets disclosed at fair value				
Held to maturity				
Marketable securities	2,202,298	5,027,330	-	7,229,628
Government bonds	597,967	20,085,647	-	20,683,614
Loans	-	163,073,872	401,113,987	564,187,859
Consumer financing receivables	-	8,631,925	-	8,631,925
Net investment in financing leases	-	633,146	-	633,146

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(vi) Fair value of financial assets and liabilities (continued)

The table below shows Group assets and liabilities that are measured at fair value as of December 31, 2016 and 2015 (continued):

	December 31, 2015			Fair value
	Level 1	Level 2	Level 3	
Liabilities measured at fair value				
Derivative payables	-	299,079	-	299,079
Liabilities disclosed at fair values				
Securities issued	-	1,717,367	-	1,717,367
Borrowings	-	33,744,627	-	33,744,627
Subordinated loan	-	3,804,651	-	3,804,651

As of December 31, 2016 and 2015, for assets and liabilities held at year end report measured at fair value repeatedly, the Bank and Subsidiaries have no transfers between Level 1 and Level 2 of the hierarchy.

Marketable securities classified as non liquid on December 31, 2016 and 2015 amounting to Rp30,944,767 (40.94% of total assets level 2) and Rp35,556,311 (42.50% of total assets level 2), respectively, which represent government bonds with variable interest rates and classified as available for sale.

The fair value of financial instruments traded in active markets (such as marketable securities which measured at fair value through profit or loss and available for sale) was determined based on quoted market prices at the reporting date. A market is considered active if the information regarding price quotations can be easily and regularly available from an exchange, securities dealer or broker, the market price of a particular industry assessors, regulators and those price reflects actual and regular market transactions at a reasonable rate. Quoted market price for financial assets owned by the Group are now using offering price. These instruments are included in level 1. The instruments included in level 1 generally include equity investments in IDX and securities classified as held for trading and available for sale.

The fair value of financial instruments that are not traded in an active market (i.e., over-the-counter derivatives and inactive government bonds) is determined by internal valuation techniques.

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(vi) Fair value of financial assets and liabilities (continued)

The valuation techniques maximise the use of observable market data when available and as far as possible to minimise the use of specific estimates of the entity. If all the inputs needed to determine the fair value of financial instruments are observable from market, therefore the instrument is included in level 2. Instead, if one or more data is not based on observable market data, these instrument is included in level 3.

As of December 31, 2016 and 2015, the carrying value of the Bank's financial assets and liabilities approximates their fair value except for the following financial instruments:

	December 31, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Marketable securities				
Held to maturity	11,197,290	11,272,287	7,153,740	7,229,628
At cost*)	496,135	499,885	576,804	572,738
Government bonds				
Held to maturity	11,142,896	11,161,173	20,811,293	20,683,614
At cost*)	5,027,262	5,151,779	6,054,722	6,065,296
Loans	616,706,193	604,985,757	564,393,595	564,187,859
Consumer financing receivable	11,531,838	12,529,745	7,907,449	8,631,925
Net Investment in finance leases	829,945	928,918	598,359	633,146
	656,931,559	646,529,544	607,495,962	608,004,206
Liabilities				
Marketable securities issued	9,025,994	8,988,033	2,398,178	1,717,367
Fund borrowings	35,882,757	35,770,305	33,764,671	33,744,627
Subordinated loans	215,432	215,432	3,737,703	3,804,651
	45,124,183	44,973,770	39,900,552	39,266,645

*) Marketable securities and government bonds owned by Subsidiary in accordance with SFAS No. 110 "Accounting for Sukuk".

- (i) Current accounts with Bank Indonesia, current accounts with other banks, placement with Bank Indonesia and other banks, other receivables, securities purchased under resale agreements, acceptance receivables and other assets.

Placements with Bank Indonesia and other banks represent placements in the form of Bank Indonesia deposit facility (FASBI), sharia FASBI, call money, "fixed-term" placements, time deposits and others.

The carrying amount of current accounts, placements and overnight deposits, which uses floating rate, is a reasonable approximation of fair value.

The estimated fair value of fixed interest bearing placements, other receivables, securities purchased under resale agreements, acceptance receivables and other assets is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. Since the remaining maturity is below one year, the carrying amount of fixed interest bearing placements, other receivables, securities purchased under resale agreements, acceptance receivables and other assets is a reasonable approximation of fair value.

- (ii) Marketable securities (held to maturity) and government bonds (held to maturity)

The fair value for held to maturity marketable securities and government bonds is based on market prices or broker/dealer price quotations. When this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics or using internal valuation model.

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(vi) Fair value of financial assets and liabilities (continued)

(iii) Loans and consumer financing receivables

Loans and consumer financing receivables are recorded at carrying amount net of charges for impairment. The estimated fair value of loans and consumer financing receivables represents the discounted amount of estimated future cash flows expected to be received. The fair value of loans and consumer financing receivables is determined by discounting the expected future cash flows at current market interest rates.

(iv) Deposits from customers and other banks, acceptance payables and other liabilities

The estimated fair value of deposits that can be withdrawn at any time, includes non-interest bearing deposits, is the amount payable carrying amount when the payable is paid.

The estimated fair value of fixed interest bearing deposits, acceptance payables and other liabilities not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As the remaining maturity is below one year, the carrying amount of fixed interest bearing deposits, acceptance payables and other liabilities is a reasonable approximation of fair value.

(v) Marketable securities issued, borrowings and subordinated loans

The aggregate fair values are calculated based on quoted market prices. When information is not available, a discounted cash flow model is used based on the current yield curve appropriate for the remaining term to maturity.

(vii) Value at Risk (VaR)

The Bank calculate VaR (Value at Risk), which is a value that describe the maximum potential losses to the Bank as a result of market movement that affect the Bank's exposure to trading in normal conditions with a confidence level of 99%. VaR calculation method which is used by the bank is the Historical Simulation method which does not require the assumption that the movement of market factors are normally distributed. Bank calculated VaR based on the 250 days historical market factor data.

VaR realisation as of December 31, 2016 and 2015 are as follows:

	December 31, 2016 ¹⁾			
	Average VaR	Maximum VaR	Minimum VaR	End of period VaR
Type of Risk				
Interest rate risk	9,809	17,766	3,403	4,920
Foreign exchange risk	16,044	75,539	852	9,118
Total	13,648	59,770	5,465	7,413

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61. RISK MANAGEMENT (continued)

B. Market risk and liquidity risk (continued)

(vii) Value at Risk (VaR) (continued)

VaR realisation as of December 31, 2016 and 2015 are as follows (continued):

	December 31, 2015 ^{*)}			
	Average VaR	Maximum VaR	Minimum VaR	End of period VaR
Type of Risk				
Interest rate risk	7,036	20,005	463	12,828
Foreign exchange risk	6,301	41,313	449	4,464
Total	9,930	35,259	1,582	13,184

^{*)} Only trading book position

The Bank performs backtesting to ensure the accuracy of the VaR calculation method in predicting the profit/loss of treasury activities. Backtesting compares the daily profit/loss with the VaR calculated by the Bank.

Backtesting result for the period December 2016 show that the VaR calculation has been done accurately, where the number of irregularities P/L of the daily VaR is still acceptable.

(vi) Cash management

Detail of cash are as follows:

	Desember, 31 2016		Desember, 31 2015	
	Notional amount foreign currency, equivalent (in thousands)	Rupiah	Notional amount foreign currency, equivalent (in thousand)	Rupiah
Rupiah	-	19,838,366	-	22,185,877
Foreign currencies				
United States dollar	126,984	1,710,796	106,417	1,466,964
European euro	13,228	187,511	15,317	230,627
Singapore dollar	83,024	773,117	77,757	758,831
Japanese yen	809,646	93,166	793,713	90,896
Australia dollar	15,416	149,888	25,151	253,618
Hong kong dollar	4,031	7,003	4,968	8,836
Great britain Poundsterling	2,249	37,240	973	19,881
Chinese yuan	10,969	21,271	15,611	33,140
Others	6,563	88,417	4,385	60,454
	1,072,110	22,906,775	1,044,292	25,109,124

As of December 31, 2016 and 2015, the cash balance, including money at the ATM (Automatic Teller Machine), amounting to Rp8,709,914 and Rp10,745,765, respectively.

C. Operational risk

Operational risk is defined as the risk of loss resulting from inadequate and/or disfunction of internal process, human error, systems failure or external factors which impact the Bank's operations. The effectiveness of operational risk management can reduce losses due to operational risk.

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61. RISK MANAGEMENT (continued)

C. Operational risk (continued)

In order to the effectiveness of Operational Risk Management, Bank has established a framework refer to Bank Indonesia regulations, Basel II and the Bank's internal regulations. The Bank has a Bank Mandiri's Risk Management Policy, Standard Operating Procedures for Operational Risk Management and Technical Guidelines for Operational Risk Management covering both aspects of governance and reporting systems.

As part of the Enterprise Risk Management (ERM) framework, the Bank's framework using 2 (two) prong approach framework, namely managing risk through operations and managing risk through capital.

Managing risk through operation

In managing operational risk through operation, the Bank has:

- (i) Establish risk governance of operational risk management
- (ii) Establish policies and procedures and conduct periodic review
- (iii) Establish operational risk appetite
- (iv) Design methodologies and tools of operational risk management
- (v) Provide Operational Risk System for entire unit,
- (vi) Establish Risk Awareness across organizations including Risk Culture in the Bank's business activities,
- (vii) Implement the operational risk management to the entire unit Head Office and Regional Offices including the operational risk management tools (ORM Tools) and Loss Event Database application system
- (viii) Perform monitoring and reporting for internal and external (regulator)

The implementation of operational risk governance begins with:

- (i) Active surveillance of Board of Commissioners and Directors, through the Risk Management Committee (RMC),
- (ii) The implementation of risk management through three line of defense models where:
 - Each unit as risk owner is first line of defense that directly responsible for operational risk management;
 - Risk Management Unit is second line of defense that perform oversight function and;
 - Internal Audit is third line of defense which performs independent assurance function.

The Bank has established internal policies and procedures for Operational Risk Management refers to the Bank Mandiri Risk Management Policy (KMRBM), which the basis of risk management implementation. Bank has guidelines for implementation of operational risk management through entire unit, guidelines for products or new Activities management, guidelines for Bank Risk Model, guidelines for BCM, guidelines for ORM Tools and Reporting of Fraud Events.

ORM Tools used are:

- (i) Risk & Control Self Assessment (RCSA), used for identification and assessment of inherent risk activity and assessment of quality control
- (ii) Loss Event Database, to record losses due to operational risks that occur in each units
- (iii) Key indicator (KI) is a quantitative indicator that is used to provide indicate risk level attached to the key process in one stage of the business unit / supporting unit process or end to end process
- (iv) Issue & Action Management (IAM), to document the issue / problem, analyze its causes, and set action plan and monitor the implementation of the action plan by the unit.

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61. RISK MANAGEMENT (continued)

C. Operational risk (continued)

Managing risk through operation (continued)

As the output of Operational Risk Management process, each unit generates operational risk profile that describes the operational risk exposure which will be the basis for the Bank's operational risk profile. Bank's operational risk profile reports that have been reviewed by the Internal Audit unit was presented to the Board of Commissioners and reported to regulators periodically. Bank's Operational Risk Profile Report used as part to determine Risk-Based Bank Rating (RBBR). In addition, in order to manage operational risk, there is Operational risk management reports that submitted to management as a means of monitoring and consideration to take priority action.

Managing risk through capital

Based on Bank Indonesia Circular Letter No. 11/3/DPNP dated January 27, 2009, the Bank has performed calculation of Risk Weighted Assets (RWA) for operational risk and the Minimum Capital Requirement for operational risk. Bank used Basic Indicator Approach for operational risk Capital Charge Calculation.

The results of operational risk capital charge of Bank Mandiri only in 2016 is Rp7,354,561, meanwhile for the consolidation is Rp8,604,774. This calculation was performed once a year.

Based on that result, the value of operational risk RWA is Rp91,932,008 for Bank Mandiri in 2016 and Rp107,559,670 for the consolidation of Bank Mandiri with its subsidiaries. The operational risk RWA value is 12.5 times the operational risk capital charges in accordance with policy of regulator.

Besides the BIA approach, the Bank has simulate calculation using Standardized Approach which is in line with risk-based performance measurement for Strategic Business Unit.

62. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. Integrated banking system agreement with vendor

On November 22, 2012, the Bank entered into an agreement with vendor to enhance eMAS features in accordance with Application Management Services 2011 agreement amounting to USD866,125 (full amount, after VAT) and Application Management Services 2012 agreement amounting to USD1,190,000 (full amount, after VAT) with blanket order system so that the maximum total value of the contract amounting to USD2,056,125 (full amount, after VAT). On December 31, 2016, the value of the contract using payment realisation approach for Application Management Services 2012 was USD1,083,250 (full amount, after VAT) and the Bank has recorded it as fixed asset based on the realisation value of USD977,900 (full amount, after VAT), so that estimated completion as of December 31, 2016 is 90.27%.

On September 3, 2013, the Bank entered into an agreements with vendors to enhance eMAS features related to Management Application's agreement 2013 with the system blanket order with a maximum contract value of USD2,583,700 (full value, after VAT). The blanket order agreements are based on estimation of actual mandays to be performed by the vendor to work additional features eMAS. As of December 31, 2016 the contract value to the realisation payment approach is equal to USD2,443,000 (full amount) and the Bank has booked the value of the payment realisation as a fixed asset of USD2,333,800 (full amount) so that the estimated project completion as of December 31, 2016 is 95.53%.

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62. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

a. Integrated banking system agreement with vendor (continued)

On September 15, 2014, the Bank entered into an agreements with vendors to enhance eMAS features related to Management application 2014 with the system blanket order with a maximum contract value of USD3,550,000 (full value, after VAT). The blanket order agreements are based on estimation of actual mandays to be performed by the vendor to work additional features eMAS. As of December 31, 2016 the contract value to the realisation payment approach is equal to USD3,376,405 (full amount) and the Bank has booked the value of the payment realisation as a fixed asset of USD3,193,580 (full amount) so that the estimated project completion as of December 31, 2016 is 94.59%.

On January 7, 2016, the Bank entered into an agreements with vendors to enhance eMAS features related to Management Application 2015 with the system blanket order with a maximum contract value of 6000 mandays. As of December 31, 2016, the contract value to the realisation payment approach is equal to USD1,355,896 (full amount) and the Bank has booked the value of the payment realisation as a fixed assets of USD406,344 (full amount), so that the estimated project completion as of December 31, 2016 is 29.97%.

b. Legal matters

The Bank has a number of outstanding litigation cases, including lawsuits with debtors and/or fund owners as the result of agreement disputes that had been decided by the Court where the Bank was sentenced to pay compensation amounting to Rp89,255 (December 31, 2015: Rp99,771). Currently the Bank is still in the legal process to appeal against the decision.

The Bank's total potential financial exposure arising from outstanding lawsuits as of December 31, 2016 and 2015 amounted to Rp816,014 and Rp2,420,417, respectively. As of December 31, 2016 and 2015, the Bank has formed a provision amounting to Rp256,164 and Rp537,693, respectively and believes that the provision is adequate.

c. Trade Financing with Asian Development Bank (ADB)

On November 25, 2009, Bank Mandiri has signed a contractual agreement with Asian Development Bank (ADB) through Trade Finance Facilitation Program (TFFP) that are Confirmation Bank Agreement (CBA), Issuing Bank Agreement (IBA) and Revolving Credit Agreement (RCA).

Based on CBA and IBA, Bank Mandiri can act either as confirming bank or issuing bank for its customer's L/C based export import transactions. As a confirming bank, Bank Mandiri can request a guarantee from ADB for L/C issued by issuing bank and as issuing bank, Bank Mandiri can obtain confirmation guarantee from ADB for L/C that has been issued.

TFFP scheme is a program initiated by ADB to facilitate the L/C based on trade transactions within Asian developing countries to increase the trade-volume growth. Becoming a participant in this program, Bank Mandiri will have an easier access to increase its trade finance credit lines, its trade volume and to open new business opportunities especially to countries that have low trade volume with Indonesia.

Pursuant to the RCA, Bank Mandiri received a credit revolving facility up to USD25,000,000 (full amount). By using the facility, Bank Mandiri will be charged with interest of total margin plus LIBOR during the interest period.

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62. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

e. Bank Mandiri Continuous Bonds I

Bank Mandiri is in process conducting Continuing Public Offering of Continuing Bonds I Bank Mandiri with target of funds to be raised amounting to Rp14,000,000. On September 30, 2016, Bank Mandiri has issued Continuing Bonds I Bank Mandiri Phase I Year 2016 ("Continuing Bonds I Phase I") with nominal amount Rp5,000,000, which consists of 3 (three) series of bonds with tenor of 5, 7 and 10 years.

Funds obtained from the issuance of Continuing Bonds I Phase I after deducted with issuance costs will be used for emphasizing the long-term financing structure, to support loan expansion for business development and repayment of Subordinated Bonds that matured in December 2016.

63. GOVERNMENT GUARANTEE FOR THE OBLIGATIONS OF LOCALLY INCORPORATED BANKS

Based on the Law of the Republic of Indonesia No. 24 Year 2004 dated September 22, 2004, the Government of Republic Indonesia has established an independent insurance corporation by the name of Deposit Insurance Corporation (LPS). LPS insures public funds, including funds from other banks in form of demand deposits, time deposits, certificates of deposit, savings and/or other equivalent form.

Based on the Deposit Insurance Corporation Regulation No. 2/PLPS/2014 dated September 22, 2014 concerning amendment Deposit Insurance Corporation Regulation No. 2/PLPS/2010 concerning the Deposit Guarantee Program, the maximum guaranteed amount for each customer in one bank is Rp2,000,000,000.

The interest rate of deposit insurance corporation as of December 31, 2016 and 2015 is 6.25% and 7.50%, respectively, for deposits denominated in Rupiah, 0.75% and 1.25%, respectively, for deposits denominated in foreign currencies, respectively.

64. IMPACT OF FIRST IMPLEMENTATION OF COLLECTIVE PROVISION FOR IMPAIRMENT LOSSES

Since January 1, 2015, the Subsidiary, BSM, has adopted SFAS No. 55 "Financial Instrument: Recognition and Measurement" to calculate the collective impairment in accordance with SFAS No. 102 "Accounting for *Murabahah*". On January 1, 2015, BSM recalculate collective impairment provision in accordance with the method set forth in SFAS No. 55 and in accordance with the transitional provisions of SFAS No. 102 "Accounting for *Murabahah*", the difference between the provision balance as of January 1, 2015 with the balance of collective impairment provision based on SFAS No. 55 amounted to Rp246,727, which is charged to retained earnings as of January 1, 2015 amounted to Rp185,027 and increase in deferred tax assets amounting to Rp61,700.

65. NEW FINANCIAL ACCOUNTING STANDARDS AND INTERPRETATION

Amendments and Improvements of Indonesian Financial Accounting Standards and Interpretations that are issued by the Indonesian Financial Accounting Standards Board (DSAK), but not yet effective for current year financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Effective from January 1, 2017:

- a. Amendments to SFAS No. 1: Presentation of Financial Statements on Disclosure Initiative
- b. SFAS No. 3: Interim Financial Reporting (Improvement 2016)
- c. SFAS No. 24: Employee Benefits (Improvement 2016)
- d. SFAS No. 58: Non-current Assets Held for Sale and Discontinued Operations (Improvements 2016)
- e. SFAS No. 60: Financial Instruments: Disclosures (Improvement 2016)
- f. Sharia SFAS No. 101: Presentation of Sharia Financial Statements (Revised 2016)
- g. Sharia SFAS No. 102: *Murabahah* Accounting (Revised 2016)

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65. NEW FINANCIAL ACCOUNTING STANDARDS AND INTERPRETATION (continued)

Effective from January 1, 2017 (continued):

- h. Sharia SFAS No. 104: *Istishna* Accounting (Revised 2016)
- i. Sharia SFAS No. 107: *Ijarah* Accounting (Revised 2016)
- j. Sharia SFAS No. 108: Accounting for Sharia Insurance Transaction (Revised 2016)

Effective from January 1, 2018:

- a. Amendments to SFAS No. 2: Statement of Cash Flow on the Disclosure Initiative
- b. Amendments to SFAS No. 46: Income Taxes on the Recognition of Deferred Tax Assets for Unrealized Losses

The Group is presently evaluating and has not yet determined the effects of these accounting standards on its consolidated financial statements.

66. ADDITIONAL INFORMATION

The additional information presented in appendix 1-4 is supplementary financial information of PT Bank Mandiri (Persero) Tbk., the Parent, which presents the Bank's investments in subsidiaries based on cost method.

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENTS OF FINANCIAL POSITION - PARENT ENTITY
As of December 31, 2016
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	December 31, 2016	December 31, 2015
ASSETS		
Cash	21,223,106	23,118,246
Current accounts with Bank Indonesia	48,761,535	53,276,224
Current accounts with other banks		
Related parties	194,320	349,373
Third parties	8,401,644	9,201,021
	<u>8,595,964</u>	<u>9,550,394</u>
Less: allowance for impairment losses	(2,995)	(3,181)
Total	<u>8,592,969</u>	<u>9,547,213</u>
Placements with Bank Indonesia and other banks		
Related parties	2,198,674	1,754,200
Third parties	64,158,423	28,808,026
	<u>66,357,097</u>	<u>30,562,226</u>
Less: allowance for impairment losses	(80,108)	(66,760)
Total - net	<u>66,276,989</u>	<u>30,495,466</u>
Marketable securities		
Related parties	10,141,257	10,234,479
Third parties	19,195,636	12,986,506
	<u>29,336,893</u>	<u>23,220,985</u>
Less:		
Unamortised discounts/premiums, unrealised Gains/(losses) from decrease in fair value of marketable securities and allowance for impairment losses	(91,103)	(480,077)
Total - net	<u>29,245,790</u>	<u>22,740,908</u>
Government bonds - related parties	90,340,489	94,965,707
Other receivables - trade transactions		
Related parties	5,934,300	7,051,776
Third parties	9,944,879	7,498,733
	<u>15,879,179</u>	<u>14,550,509</u>
Less: allowance for impairment losses	(1,712,018)	(1,669,497)
Total - net	<u>14,167,161</u>	<u>12,881,012</u>

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENTS OF FINANCIAL POSITION - PARENT ENTITY (continued)
As of December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)**

	December 31, 2016	December 31, 2015
ASSETS (continued)		
Securities purchased under resale agreements		
Third parties	3,746,090	-
Derivative receivables		
Related parties	3,660	32,152
Third parties	235,600	668,422
Total	239,260	700,574
Loans		
Related parties	101,100,710	74,937,297
Third parties	491,568,560	461,092,515
Total	592,669,270	536,029,812
Less: allowance for impairment losses	(30,762,076)	(20,470,785)
Loans - net	561,907,194	515,559,027
Acceptances receivable		
Related parties	385,265	409,880
Third parties	14,294,356	10,921,393
	14,679,621	11,331,273
Less: Allowance for impairment losses	(239,901)	(107,030)
Total - net	14,439,720	11,224,243
Investments in shares	6,583,203	5,354,140
Less: allowance for impairment losses	(49,247)	(57,730)
Total - net	6,533,956	5,296,410
Prepaid expenses	2,031,252	1,691,677
Prepaid taxes	2,421,556	4,570,305
Fixed assets	42,009,451	15,352,695
Less: accumulated depreciation	(7,550,662)	(6,443,338)
Total - net	34,458,789	8,909,357
Intangible assets	3,502,458	3,109,126
Less: accumulated depreciation	(2,066,144)	(1,733,034)
Total - net	1,436,314	1,376,092
Other assets -	7,203,589	7,178,204
Less: Other allowance	(279,838)	(298,234)
Total net	6,923,751	6,879,970
Deferred tax assets	5,435,589	4,318,681
TOTAL ASSETS	918,181,510	807,551,112

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENTS OF FINANCIAL POSITION - PARENT ENTITY (continued)
As of December 31, 2016
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	December 31, 2016	December 31, 2015
LIABILITIES AND EQUITY		
LIABILITIES		
Obligation due immediately	1,569,911	1,156,327
Deposits from customers		
Demand deposits		
Related parties	48,889,558	38,162,247
Third parties	131,669,970	128,242,700
Total demand deposits	180,559,528	166,404,947
Saving deposits		
Related parties	1,969,759	1,338,746
Third parties	271,802,756	244,985,964
Total saving deposits	273,772,515	246,324,710
Time deposits		
Related parties	46,479,231	37,870,850
Third parties	187,138,570	162,560,422
Total time deposits	233,617,801	200,431,272
Total deposits from customers	687,949,844	613,160,929
Deposits from other banks		
Demand/wadiah demand deposits and saving deposits		
Related parties	132,782	111,920
Third parties	4,199,571	3,656,991
Total demand/wadiah demand deposits and saving deposits	4,332,353	3,768,911
Interbank call money		
Related parties	440,000	651,000
Third parties	1,240,952	3,164,363
Total interbank call money	1,680,952	3,815,363
Time deposits		
Related parties	346,732	-
Third parties	3,199,043	4,858,778
Total time deposits	3,545,775	4,858,778
Total	9,559,080	12,443,052
Securities sold under repurchase agreements		
Related parties	230,024	467,123
Third parties	3,123,018	4,396,048
Total	3,353,042	4,863,171

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENTS OF FINANCIAL POSITION - PARENT ENTITY (continued)
As of December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)**

	December 31, 2016	December 31, 2015
LIABILITIES AND EQUITY (continued)		
LIABILITIES (continued)		
Derivative payables		
Related parties	10,058	3,095
Third parties	492,394	295,870
Total	502,452	298,965
Acceptances payable		
Related parties	2,481,708	606,737
Third parties	12,197,913	10,724,536
Total	14,679,621	11,331,273
Marketable issued		
Related parties	2,570,000	-
Third parties	2,502,035	77,767
	5,072,035	77,767
Less: Unamortised issuance costs	(24,077)	-
Total	5,047,958	77,767
Estimated losses on commitments and contingencies	193,144	370,727
Accrued expenses	2,941,711	2,913,725
Current tax payable	1,052,740	1,801,344
Employee benefits liabilities	6,236,533	5,313,231
Provision	435,880	676,170
Other liabilities	8,546,688	7,714,157
Fund borrowings		
Related parties	140,774	429,269
Third parties	31,687,950	29,502,337
Total fund borrowings	31,828,724	29,931,606
Subordinated loans		
Related parties	-	1,702,800
Third parties	215,432	2,053,867
	215,432	3,756,667
Less: unamortised issued cost	-	(3,964)
Total	215,432	3,752,703
TOTAL LIABILITIES	774,112,760	695,805,147

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENTS OF FINANCIAL POSITION - PARENT ENTITY (continued)
As of December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)**

	December 31, 2016	December 31, 2015
EQUITY		
Share capital - Rp500 (full amount) par value per share, Authorised capital - 1 share Dwiwarna Series A and 31,999,999,999 common shares Series B Issued and fully paid-in capital - 1 share Dwiwarna Series A and 23,333,333,332 common shares Series B	11,666,667	11,666,667
Additional paid-in capital/agio	17,476,308	17,476,308
Difference arising from translation of financial statements in foreign currencies	45,441	69,774
Unrealised losses from decrease in fair value of available for sale marketable securities and government bonds net of deferred tax	(768,222)	(1,526,045)
Asset revaluation reserve	24,796,520	-
Net actuarial gain on defined benefit plan - net of deferred tax	72,261	250,184
Retained earnings (accumulated losses of Rp162,874,901 were eliminated against additional paid-in capital/agio as a result of quasi-reorganisation as of April 30, 2003) Appropriated Unappropriated	5,380,268 85,399,507	12,402,382 71,406,695
Total retained earnings	90,779,775	83,809,077
TOTAL EQUITY	144,068,750	111,745,965
TOTAL LIABILITIES AND EQUITY	918,181,510	807,551,112

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - PARENT ENTITY
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)**

	Year ended December 31,	
	2016	2015
INCOME AND EXPENSES FROM OPERATIONS		
Interest income	67,155,191	63,093,448
Interest expense	(21,485,647)	(22,961,703)
NET INTEREST INCOME	45,669,544	40,131,745
Other operating income		
Other fees and commissions	10,557,828	9,581,734
Foreign exchange gains and derivative transactions - net	2,232,927	2,207,103
Others	4,682,687	5,970,640
Total other operating income	17,473,442	17,759,477
Allowance for impairment losses	(22,839,834)	(10,450,247)
Reversal of/(provision for) for impairment losses on commitments and contingencies	171,369	(176,093)
Reversal of/(provision for) - other allowances	194,839	(78,094)
Unrealised (losses)/gains from decrease/(increase) in fair value of marketable securities and government bonds	(5,598)	2,402
Gains on sale of marketable securities and government bonds	700,004	300,560
Other operating expenses		
Salaries and employee benefits	(10,716,768)	(9,903,220)
General and administrative expenses	(11,421,036)	(10,034,308)
Others - net	(2,924,571)	(2,908,746)
Total other operating expenses	(25,062,375)	(22,846,274)
INCOME FROM OPERATIONS	16,301,391	24,643,476
Non-operating income - net	23,017	56,270
INCOME BEFORE TAX EXPENSE	16,324,408	24,699,746
Tax expense		
Current	(4,435,708)	(4,932,830)
Deferred	1,182,488	337,514
Total tax expense - net	(3,253,220)	(4,595,316)
NET INCOME FOR THE YEAR	13,071,188	20,104,430

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - PARENT ENTITY
(continued)**

**For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)**

	Year ended December 31,	
	2016	2015*)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Gains on fixed assets revaluation	24,796,520	-
Actuarial (losses)/gains on defined benefit plan	(217,968)	308,294
Income tax related to the items that will not be reclassified to profit or loss	40,045	(58,110)
	<u>24,618,597</u>	<u>250,184</u>
Items that will be reclassified to profit or loss		
Difference arising from translation of financial statements in foreign currencies	(24,333)	(28,418)
Changes in fair value of available for sale financial assets	863,447	(1,179,764)
Income tax related to items that will be reclassified to profit or loss	(105,624)	235,953
	<u>733,490</u>	<u>(972,229)</u>
Other comprehensive income/(loss) for the year - net of tax income	<u>25,352,087</u>	<u>(722,045)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>38,423,275</u>	<u>19,382,385</u>
EARNING PER SHARE		
Basic (full amount)	560.19	861.62

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENTS OF CHANGES IN EQUITY - PARENT ENTITY
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)**

	Issued and fully paid-in capital	Additional paid-in capital/agio	Differences arising from translation of financial statements in foreign currencies	Unrealised losses from decrease in fair value of available for sale marketable securities and government bonds - net of deferred tax	Actuarial loss on defined benefits plan - net of deferred tax	Retained earnings			Total equity
						Appropriated	Unappropriated	Total	
Balance as of January 1, 2015	11,666,667	17,476,308	98,192	(582,234)	-	9,779,446	58,893,169	68,672,615	97,331,548
Dividends payment from 2014 net income	-	-	-	-	-	-	(4,967,968)	(4,967,968)	(4,967,968)
The establishment of specific reserves from 2014 net income (refer to Note 40c)	-	-	-	-	-	2,662,936	(2,622,936)	-	-
Income for the current year	-	-	-	-	-	-	20,104,430	20,104,430	20,104,430
Comprehensive income for the current year	-	-	(28,418)	(943,811)	(250,184)	-	-	-	(722,045)
Balance as of December 31, 2015	11,666,667	17,476,308	69,774	(1,526,045)	250,184	12,402,382	71,406,695	83,809,077	111,745,965

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENTS OF CHANGES IN EQUITY - PARENT ENTITY (continued)
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)**

	Issued and fully paid-in capital	Additional paid-in capital/agio	Difference arising from translation of financial statements in foreign currencies	Unrealised losses from decrease in fair value of available for sale marketable securities and government bonds - net of deferred tax	Asset revaluation reserve	Actuarial gain on defined benefit plan - net of deferred tax	Retained earnings			Total equity
							Appropriated	Unappropriated	Total	
Balance as of January 1, 2016	11,666,667	17,476,308	69,774	(1,526,045)	-	250,184	12,402,382	71,406,695	83,809,077	111,745,965
Dividends payment from 2015 net income	-	-	-	-	-	-	-	(6,100,490)	(6,100,490)	(6,100,490)
The establishment of specific reserves from 2015 net income (refer to Note 40c)	-	-	-	-	-	-	2,277,517	(2,277,517)	-	-
Reclassification from specific reserves into retained earnings	-	-	-	-	-	-	(9,299,631)	9,299,631	-	-
Income for the current year	-	-	-	-	-	-	-	13,071,188	13,071,188	13,071,188
Comprehensive income for the current year	-	-	(24,333)	757,823	24,796,520	(177,923)	-	-	-	25,352,087
Balance as of December 31, 2016	11,666,667	17,476,308	45,441	(768,222)	24,796,520	72,261	5,380,268	85,399,507	90,779,775	144,068,750

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENT OF CASH FLOWS - PARENT ENTITY
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)**

	Year ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from interest income	64,416,164	60,238,840
Receipts from provision commission	10,557,828	9,581,734
Payments of interest expense	(21,291,109)	(23,052,087)
Receipts from the sale of government bonds - fair value through profit or loss	46,766,355	31,445,218
Acquisition of government bonds - fair value through profit or loss	(45,447,093)	(31,690,614)
Foreign exchange gains - net	3,061,051	6,285
Other operating income - others	1,489,984	2,930,200
Other operating expenses - others	(3,111,819)	(3,233,515)
Salaries and employee benefits	(9,971,389)	(9,164,886)
General and administrative expenses	(9,980,603)	(8,833,173)
Non-operating income - net	22,811	56,270
Payment of corporate income tax	(5,199,043)	(4,724,697)
Cash flows from operating activities before changes in operating assets and liabilities	31,313,137	23,559,575
Decrease/(Increase) in operating assets:		
Placements with Bank Indonesia and other banks	(51,402)	939,340
Marketable securities - fair value through profit or loss	(734,593)	(305,574)
Other receivables - trade transactions	(1,328,670)	(1,767,467)
Loans	(68,047,363)	(66,756,125)
Securities purchased under resale agreements	(3,746,090)	18,528,320
Prepaid taxes	2,148,749	(2,152,569)
Prepaid expenses	(339,575)	(412,300)
Other assets	81,046	513,539
Proceeds from collection of financial assets already written-off	3,192,703	3,040,568
Increase/(decrease) in operating liabilities:		
Demand deposits	16,605,082	41,978,965
Saving deposits	25,560,746	18,403,993
Time deposits	31,873,526	(29,678,327)
Interbank call money	(2,134,411)	881,363
Obligation due immediately	413,584	(39)
Taxes payable	80,311	(175,197)
Other liabilities	2,743,148	(931,924)
Net cash provided by operating activities	37,629,928	5,666,141
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in marketable securities - other than fair value through profit or loss	(5,473,330)	(4,307,027)
Increase in government bonds - other than fair value through profit or loss	4,763,651	(12,900,528)
Proceeds from sale of fixed assets	6,745	3,754
Acquisition of fixed assets	(1,866,775)	(762,329)
Acquisition of intangible assets	(393,331)	(543,929)
Paid up capital in PT Bank Syariah Mandiri	(500,000)	(500,000)

PARENT ENTITY FINANCIAL INFORMATION

**PT BANK MANDIRI (PERSERO) Tbk.
STATEMENT OF CASH FLOWS - PARENT ENTITY (continued)
For the year ended December 31, 2016
(Expressed in millions of Rupiah, unless otherwise stated)**

	Year ended December 31,	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES (continued)		
Establishment PT Mandiri Capital Indonesia	(340,000)	(9,900)
Paid up PT Mandiri Utama Finance	(102,000)	(51,000)
Paid up capital to PT Mandiri Axa General Insurance	(30,000)	(30,000)
Additional purchase of shares in PT Asuransi Jiwa Inhealth Indonesia	-	(330,000)
Additional purchase of shares in PT Bank Mandiri Taspen Pos	(257,036)	(198,000)
Net cash used in investing activities	(4,192,076)	(19,628,959)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in marketable securities issued	4,970,191	(7,489)
Increase in fund borrowings	2,865,445	6,256,294
Payments of subordinated loans	(3,537,271)	(8,871)
(Decrease)/increase marketable securities sold under repurchase agreement	(1,510,129)	(1,249,418)
Payments of dividends	(6,100,490)	(4,967,968)
Net cash provided by financing activities	(3,312,254)	22,548
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	30,125,598	(13,940,270)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,448,059)	4,727,417
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	115,004,623	124,217,476
CASH AND CASH EQUIVALENTS AT END OF YEAR	143,682,162	115,004,623
Cash and cash equivalents at end of year consist of:		
Cash	21,223,106	23,118,246
Current accounts with Bank Indonesia	48,761,535	53,276,224
Current accounts with other banks	8,595,964	9,550,394
Placements with Bank Indonesia and other banks	64,506,278	28,762,809
Certificate of Bank Indonesia	595,279	296,950
Total cash and cash equivalents	143,682,162	115,004,623