

- Implementation of the Company's Operational Activities.
18. Reporting monitoring result on media news on daily basis to the Members of the Board of Commissioners and Members of the Board of Directors every morning on business days.
 19. Covering corporation ceremonial activities as many as 85 coverages.
 20. Participating actively in meetings, hearings and working visit with the House of Representative (DPR-RI).
 21. Conducting disbursement of Partnership Program, Community Development, Corporate Social Responsibility and Sponsorship and monitoring the credibility.
 22. Carrying out license arrangement activities, security and escort/ protocol of (Bank Mandiri's officials) Board of Directors and Commissioners at the office/business venue, trips/events and residents.
 23. Administering and distributing all incoming letters for the Company or relevant Agency to be followed up.
 24. As a liaison among the Company and the shareholders, investors, regulators and other stakeholders.

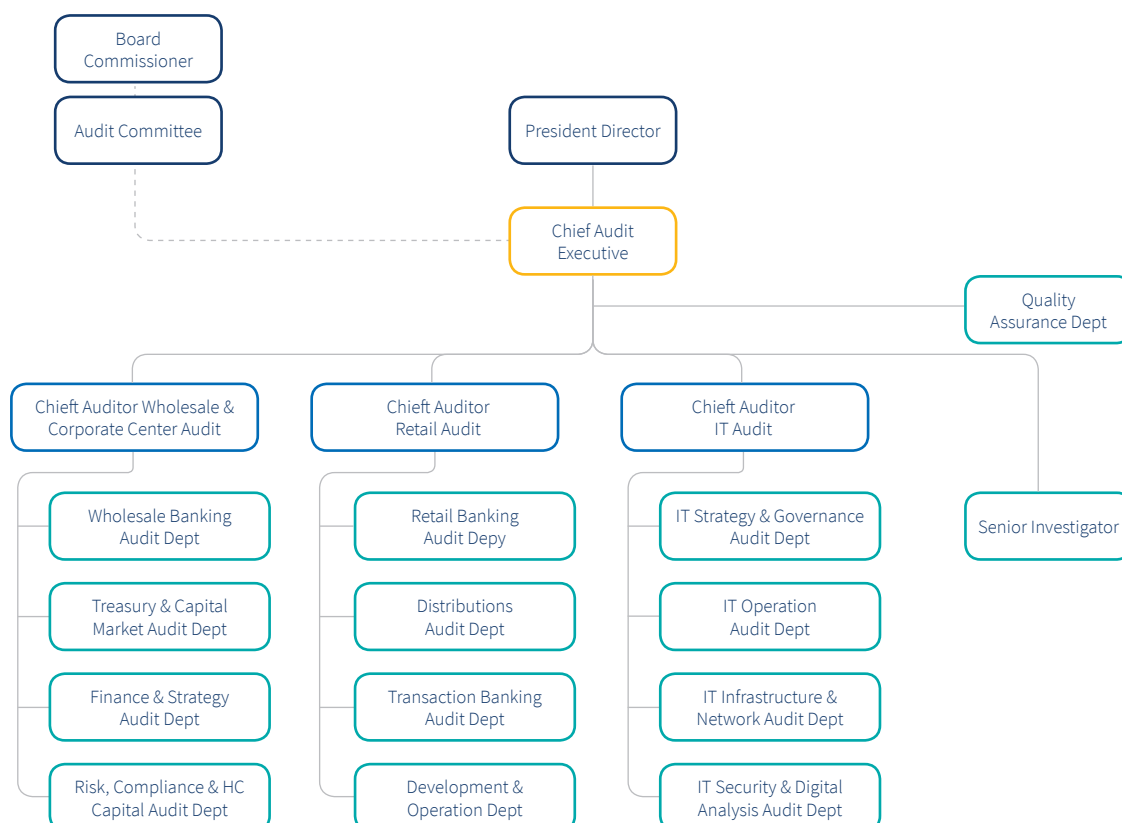
Corporate Secretary Report for the Fiscal year 2016

In compliance with Article 11 of Financial Services Authority Regulation No. 35/POJK/2014, the Corporate Secretary of Bank Mandiri has prepared periodic report at least once a year regarding the implementation of corporate secretary functions to the Board of Directors and copied to the Board of Commissioners submitted through Note to the Board of Directors No. CEO.CSC/CMA.517/2017 dated 31 March 2017 regarding Report on Functions and Duties of Corporate Secretary Group of 2016 and Letter to the Board of Commissioners No. CEO.CSC/CMA.877/2017 dated 18 April 2017 regarding Report on Functions and Duties of Corporate Secretary Group of 2016.

Internal Audit

Having the role as Third line of defense, Internal Audit Bank Mandiri ensures that the Internal control in each line of defense is getting stronger and mature. Internal Audit has made innovations in the use of audit methodology and tools so the audit implementation has become more effective and efficient. In line with Internal Audit's long-term plan 2015-2020 with the theme of "Creating long-term value Through sustained assurance to be The Best in Class IA Function" in 2017 Internal Audit has finished 14 out of 14 Strategic Initiatives.

Organization Structure and Chairman of Internal Audit



The Position Of Internal Audit In The Organization Structure

Internal Audit in the organization is under the Directorate level and is directly responsible to the President Director and can communicate with the Board of Commissioners through Audit Committee. Since 18 December 2014, Internal Audit has 3 Groups whose divisions are adjusted to the business strategy of Bank Mandiri, namely Wholesale & Corporate Center Audit Group, Retail Audit Group and IT Audit Group. Moreover, Internal Audit also has 2 Departments directly responsible to Chief Audit Executive (CAE), namely Investigation Audit Department and Quality Assurance Department.

Profile of Head of Internal Audit



Mustaslimah

Senior Executive Vice President/
SEVP Internal Audit

Age	: 52 Years old
Citizenship:	: Indonesian citizen
Domicile	: Depok
Education	: Bachelor degree in Agricultural Industrial Engineering from the Bogor Agricultural University in 1988.
Job History	: - Has served as Assistant Marketing Officer (1990), Marketing Officer (1993), Regular Instructor (1997), Senior Officer Support Function (1999), Group Head CRM-MOL Risk (2000), Group Head Logistic (2001), Department Head of Asset Maintenance and Warehouse (2004), Department Head Credit Operations (2004-2005), Group Head Compliance (2006-2010), Group Head Procurement and Fixed Asset (2010) -2014), Group Head of Human Capital and Services (2014-2015).- He joined Bank Mandiri in 1999 as Senior Officer Support Function and last served as Group Head of Human Capital and Services.
Element of Appointment	: Since 2015 he has been Senior Executive Vice President / SEVP Internal Audit based on Directors Decree No. Section 1. KEP.DIR / 095/2015 dated March 26, 2015.
Certification	: Risk Management Certification Board Level 5

The Party Who Appoints and Terminate the Head of Internal Audit

Chief Audit Executive (CAE) is appointed and terminated by and is directly responsible to President Director subject to the approval of the Board of Commissioners or Audit Committee and afterwards reported the Financial Services Authority (OJK).

Internal Audit Charter

Internal Audit has and Internal Audit Charter authorized by President Director and President Commissioner of Bank Mandiri with the latest revision dated 17 December 2015, Internal Audit Charter provides the guidelines on the purposes, positions, authorities, responsibilities and scope of work of internal audit. The position, authorities and responsibilities formally stated in Internal Audit Charter are in line with Bank Indonesia Regulation concerning the implementation of Standard of the Implementation of Bank Internal Audit Functions (Standar Pelaksanaan Fungsi Audit Internal Bank /SPFIB) and Decree of Chairman of Capital Market Supervisory Agency and Financial Institutions (Badan Pengawas Pasar Modal dan Lembaga Keuangan) concerning the Establishment and Guidelines of the Preparation of Internal Audit Unit Charter and best practices which refer to IPPF (International Professional Practice Framework) Standard by IIA (The Institute of Internal Auditor).

Duties and Responsibilities of Internal Audit

Duties and responsibilities of Internal Audit are:

1. To plan and carry out internal audit activities emphasizing on the high risks subjects/activities and to evaluate the existing procedure/control system to obtain the assurance that the purposes and targets of the Bank can be achieved optimally and sustainably.
2. To carry out the steps on digging information (investigation), to report, and deliver recommendations/conclusions regarding fraud to the Management.
3. To develop and implement program to evaluate and improve the quality of Internal Audit.
4. To provide recommendations on the audit result and to monitor the follow-ups of the outcome of internal audit activities and investigation activities.
5. To cooperate with Audit Committee in carrying out supervisory functions.
6. To coordinate its activities with external audit activities and other assurance provider units/functions, in order to achieve comprehensive and optimized audit result. The coordination can be done through periodic meetings to discuss on the matters considered important for both parties.

7. To communicate directly with the President Director, Board of Commissioners, and/or Audit Committee and Tata Committee Manage Integrated.

Authorities of Internal Audit

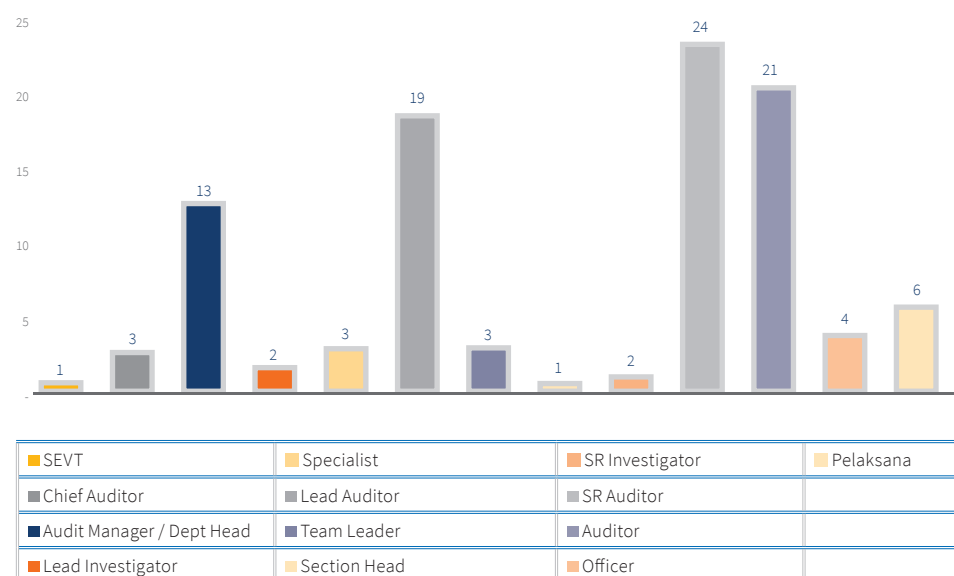
The Internal Audit has the following authorities:

1. To perform internal audit activities on all the activities of the agencies within the organization of the Bank and its Subsidiaries and its affiliates in accordance with the applicable governance.
2. To conduct communication directly to President Director, Board of Commissioners, and/or Audit Committee.
3. To conduct communication with external parties including regulators.
4. To convene meeting periodically and incidently with President Director, Board of Commissioners, and/or Audit Committee.
5. To access all information, notes, employees, including but not limited to the bank accounts/notes of the employees and resources and other matters deemed necessary in relation to its duties and functions.
6. To perform investigation activities to the cases/problems in every aspect and element of activities that indicated with fraud and breach of code of conduct.

Number and Composition of the Personnel of Internal Audit

The number of Internal Audit employees as of 9 January 2018 was 102 people with the following composition:

Number of Employees



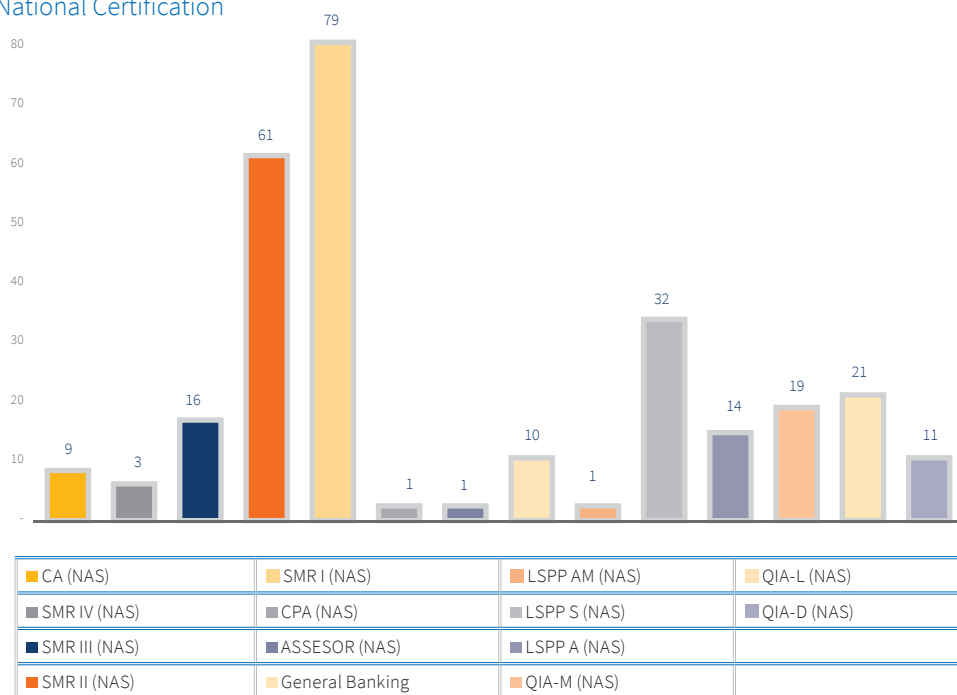
Internal Audit always seeks to provide continuous education to all its personnels to meet adequate qualifications and competencies. The education provided are in the form of certified professional education both national and international, attachment programs and trainings in the country or abroad.

Internal Audit Profession Certification

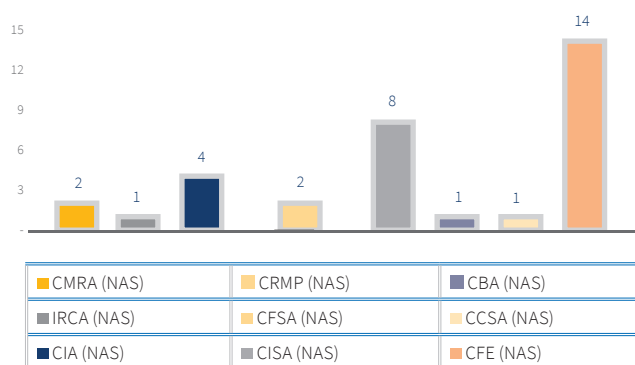
Competency Improvement and Internal Audit Development Program has referred to Internal Audit Competency Framework (IACF) to ensure the development programs are on target and as needed. IACF is a framework that shows the level of proficiency of auditor competency both behavior and technical competency required by every level of position in Internal Audit. In 2016 assessment has been made to find the existing gap competency and then development program is prepared for each auditor. Employee development program is implemented in various approaches, among others: E-learning, training, periodic profession certification both national and international, attachment/apprenticeship and special project assignment. The program is always monitored and its success rate is measured in supporting the employees' and organization's performance.

Below is the Internal Audit employee certification data until end of 8 January 2018:

National Certification



International Certification



Remarks:

QIA - D : Qualified Internal Auditor Tingkat Dasar (Basic Level)

QIA - L : Qualified Internal Auditor Tingkat Lanjutan (Advance Level)

QIA - M : Qualified Internal Auditor Tingkat Manajerial (Managerial Level)

LSPP-A : Lembaga Sertifikasi Profesi Perbankan – Auditor (Banking Professional Certification Agency - Auditor)

LSPP-S : Lembaga Sertifikasi Prosesi Perbankan – Senior Auditor (Banking Professional Certification Agency - Senior Auditor)

LSPP AM : Lembaga Sertifikasi Profesi Perbankan – Auditor Manajer (Banking Professional Certification Agency - Auditor Manager)

AESSOR : Assessor

CPA (Ind) : Certified Public Accountant

SMR I : Sertifikat Manajemen Risiko Level I (Risk Management Certificate Level I)

SMR II : Sertifikat Manajemen Risiko Level II (Risk Management Certificate Level II)

SMR III : Sertifikat Manajemen Risiko Level III (Risk Management Certificate Level III)

SMR IV : Sertifikat Manajemen Risiko Level IV (Risk Management Certificate Level IV)

CA : Chartered Accountant

CFE : Certified Fraud Examiner

CBA : Certified Bank Auditor

CISA : Certified Information System Auditor

CIA : Certified Internal Auditor

IRCA : International Register of Certified Auditor

CRMA : Certification in Risk Management Assurance.

Participation In Internal Audit Profession Associations

In order to broaden the knowledge and professional competency of internal auditor, Internal Audit has participated in Internal Audit profession associations, namely:

Participation of Bank Mandiri Internal Audit in external Organizations:

No	Name of Activity/Organization	Designation	Term
1.	Ikatan Auditor Internal Bank (IAIB) (Bank Internal Auditor Association)	SEVP Internal Audit as Chairman of the Supervisory Board	2017-2020
2.	Ikatan Auditor Internal Bank (IAIB) (Bank Internal Auditor Association)	One of Internal Audit Department Heads as Organizer in Education	2017-2020
3.	Association of Certified Fraud Examiner (ACFE)	One of Internal Audit Team Leaders as Researcher	2018 - End of Term

2. List of Institutions who conduct Benchmarking to Bank Mandiri Internal Audit in 2017

No	Institution	Focus of Discussion	Time
1.	Ministry of Finance	Fraud Risk Assessment	24 March 2017
2.	BNI	Internal Audit Methodology	2 August 2017
3.	Garuda Indonesia	Management of Audit IT Program	19 September 2017
4.	BTN	Desk Audit, Audit Forensic & RCA System	17 October 2017
5.	Bank Syariah Mandiri (BSM)	Internal Audit Capability Framework and Internal Audit Plan Methodology	5 June 2017
6.	Bank Jambi	Internal Audit Methodology and tools	28 April 2017

3. SEVP Internal Audit participation as speaker in Internal Audit external seminars during 2017

No	Event/Topic	Organizer	Time	Location and Participant
1.	Knowledge Sharing Pure Commodity Procurement	Bank Indonesia	15 December 2017	Kebon Sirih Building Fl. 3 KOPERBI
2.	Gratification Control Unit Forum	Corruption Eradication Commission (KPK)	11 December 2017	Bidakara/ +/- 1000 participants
3.	IAIB National Seminar topic Internal Audit Challenge: Navigating in Disruptive	Bank Internal Audit Association	9-10 November 2017	Hotel Bumi Surabaya +/- 200 Internal Audit

No	Event/Topic	Organizer	Time	Location and Participant
4.	Risk Management dan Internal Audit dengan tema Audit Internal Sebagai Rujukan Utama Dalam Proses Pengambilan Keputusan Oleh Manajemen	Lembaga Sertifikasi Profesi Perbankan (LSPP) bekerjasama dengan Ikatan Bankir Indonesia (IBI) dan Ikatan Auditor Intern Bank (IAIB)	19 October 2017	Graha Niaga, Jakarta/50 Internal Auditors and Risk Management
5.	IAIB Benchmarking Forum: Audit rating & reporting and QAIP implementation	Bank Internal Audit Association	17 March 2017	Jakarta/50 participants
6.	Chief Audit Executive (CAE) BUMN	Forum Komunikasi Satuan Pengawasan Intern (FKSPI)	12 July 2017	Plaza Mandiri Building 2nd floor/50 participants CAE BUMN
7.	Seminar Nasional Internal Audit (SNIA) (Internal Audit National Seminar) YPIA 2017 with the topic of Internal Audit Dynamics: Be insightful, proactive, future focused	Yayasan Pendidikan Internal Audit	10 May 2017	Medan/450-500 Internal Auditor participants

Code Of Ethics For Auditors

Internal Audit has determined Code of Ethics for an auditor as follows:

- Integrity**
An Internal Auditor has the integrity by building trust which is the basis for making a reliable judgment.
- Objectivity**
An Internal Audit shows high objectivity according to the professional standard in gathering, evaluating, and communicating information regarding the activities or process of the matters being examined.
An Internal Audit conducts balanced judgements by paying attention to all relevant situations and is not influenced by personal or other people's interests.
- Confidentiality**
An Internal Auditor respects the value and ownership of information received and does not disclose the information without the authorization from the authorities unless there are legal or profession obligations to disclose such information.
- Competency**
An Internal Auditor uses his/her knowledge, expertise and experiences required to perform its auditing duties.
The activities of internal audit must be carried out with expertise and professional skills by having the knowledge, skills and other competencies required to perform its duties.

Competency Development Of Internal Audit

In developing Internal Audit employees, during 2017 the quality of work of audit team have been improved by conducting both internal and external trainings. Internal trainings were conducted by way of discussion among SEVP Internal Audit, Board of Directors and auditors on the Internal Policies and Procedures of Bank Mandiri. While external trainings were conducted by way of participation in trainings organized by other parties as follows.

Table of Competency Development of Internal Audit

No	Training	Organizer	Date	Total Member
1.	Bank Mandiri Audit Course	PT Bank Mandiri (Persero) Tbk	30 Januari 2017 - 1 February 2017, 19 - 20 December 2017	34
2.	Examination of Certified Internal Auditor	The Institute of Internal Auditors (IIA)	03 January 2017, July 2017, 01 August 2017	5
3.	Basic Financial Analysis	PT Bank Mandiri (Persero) Tbk	13 - 17 February 2017	2
4.	Basic Trade Finance Inhouse	PT Bank Mandiri (Persero) Tbk	20 - 21 February 2017	1
5.	Basic Transaction Banking	PT Bank Mandiri (Persero) Tbk	06 - 08 February 2017	4
6.	Basic Treasury Inhouse	PT Bank Mandiri (Persero) Tbk	09 - 10 February 2017	1
7.	Consumer Loan for Auditor	Internal Audit	02 - 03 February 2017	24

No	Training	Organizer	Date	Total Member
8.	Creative Problem Solving & Decision Making	PT Bank Mandiri (Persero) Tbk	09 - 10 February 2017	1
9.	Mastering Impactful Communication Skills	PT Sarana Exhirindo (Experd)	09 - 10 February 2017, 27-28 February 2017	27
10.	Audit Report Writing	Tempo Institute	14, 16 & 17 February 2017 & 20 - 22 February 2017	55
11.	Raising The Bar And Say It Right	The Institute of Internal Auditors (IIA)	21 - 22 February 2017	2
12.	TTT Internal Control	PT Bank Mandiri (Persero) Tbk	16 February 2017	7
13.	Risk Management Level Competency Certification Level IV	PT Bank Mandiri (Persero) Tbk	30 March 2017	1
14.	IT Governance, IT Security, Emerging Technologies and IT Audit Round Table Discussion	Ikatan Auditor Intern Bank (IAIB)	05 - 06 April 2017	1
15.	Training IDEA	Insight Consulting	5 - 7 April 2017	36
16.	National Seminar on Internal Audit	Yayasan Pendidikan Internal Audit (YPIA)	09 - 10 May 2017	3
17.	Workshop Skill Audit DIA	PT Bank Mandiri (Persero) Tbk	09 May 2017	3
18.	Briefing Competency Certification of Audit Internal Level Supervisor	Ikatan Auditor Intern Bank (IAIB)	07 - 08 June 2018	19
19.	Competency Certification of Audit Internal Level Supervisor	Lembaga Sertifikasi Profesi Perbankan (LSPP)	12 June 2017	18
20.	The IIA International Conference Sydney 2017 And Financial Institutions Benchmarking Program IIA	Ikatan Auditor Intern Bank (IAIB)	22 - 29 July 2017	1
21.	Training of Credit	PT Bank Mandiri (Persero) Tbk	06 July 2017 - 1 August 2017	5
22.	Performance of Audit Workshop	PT Bank Mandiri (Persero) Tbk	06 - 07 July 2017	66
23.	National Working Congress & National Conference II FKSPI Year 2017	Forum Komunikasi Satuan Pengawasan Intern (FKSPI)	23 - 25 August 2017	6
24.	Training of Forensic Audits	Association of Certified Fraud Examiners (ACFE)	01 - 03 August 2017	1
25.	Certification Training Course Level III Risk Management	PT Bank Mandiri (Persero) Tbk	12 August 2017 & 23 August 2017	1
26.	OWASP Indonesia Day 2017	Open Web Security Application Project (OWASP)	09 - 10 September 2017	1
27.	Workshop Quality Assurance Improvement	Mandiri University Group (MUG)	28 - 29 September 2017	2
28.	CISA Preparation	Binus University	16 September 2017 - 11 November 2017	1
29.	Cobit 5 Foundation + Exam	PT ATD Solution Indonesia (Architecture Technology Delivery)	11 - 13 October 2017	2
30.	ITIL Foundation Certificate	PT ATD Solution Indonesia (Architecture Technology Delivery)	20 - 22 November 2017	1
31.	Conference of IAIB National	Ikatan Auditor Intern Bank (IAIB)	08 - 10 November 2017	6
32.	Workshop Cyber Crime & E-Banking Fraud	PT Bank Mandiri (Persero) Tbk	02 - 03 November 2017	13

Information System of Internal Audit

To improve the effectiveness of audit implementation and to provide the whole picture to Internal Audit management, the audit activities is carried out by using application named Audit Management Information System (Sistem Informasi Manajemen Audit /SIMA). With SIMA, the performance of every audit phase can be monitored at all times through the system, documented and kept in the system.

Audit Management Information System (SIMA) is used for audit process from planning, execution and reporting.

Brief Report on the Implementation of Internal Audit Activities in 2017

Internal Audit Work Program

Last year, 2017, became a full period of hard work for Bank Mandiri and Mandiri Group to continue to increase the growth and achievement of business targets amid the instability of a global economic conditions and the domestic economy. These conditions had a negative impact on the performance of Bank Mandiri in 2017, marked by the decline in asset quality through the NPL gross increase

compared to the one in 2016. Therefore, Bank Mandiri must set aside a large cost for the Allowance for Impairment Losses (CKPN) resulting in the decline in net profit. Fundamentally, however, Bank Mandiri continued to show positive and consistent business growth marked by the increase in Pre-Provision Operating Profit (PPOP) since 2016.

In response to these conditions, Bank Mandiri continued to take strategic steps to maintain the sustainability of business growth by taking several steps, one of which was the adjustment of the aspiration and vision of Bank Mandiri 2020 from The Best Bank in ASEAN into Indonesia's best, ASEAN's prominent bank so as to be more relevant and realistic. Setting 3 main areas of strategy implementation, which were:

1. BUSINESS FOCUS
 - a. "The Core" Corporate Banking grew above the market for credits, funds and fee-based incomes.
 - b. "The New Core" Consumer Banking.
 - c. "Tactical Segment" Micro, Business Banking, Commercial Banking focus on quality improvement.
 - d. Business synergy: the implementation of Bank@work and Retail Ready Branch.
 - e. Innovative execution and replication of wholesale transactions, business deepening of the Top Anchor Client.
2. FIXING THE FUNDAMENTAL
 - a. Strengthening credit process and credit culture.
 - b. Organizational Improvement.
 - c. Roadmap and Distribution network strategy.
 - d. Efficiency and productivity programs.
3. INFRASTRUCTURE STRENGTHENING
 - a. Information Technology: The increase in stability and capacity
 - b. Human Capital: The development of talents, technical skills and competencies
 - c. Culture : Specific behavior strengthening

The Directorate of Internal Audit had developed and determined an audit plan in 2017 that was in line with the main focus of Bank Mandiri. Through Annual Audit Plan (AAP) 2017, Internal Audit wanted to ensure that the business growth of Bank Mandiri was prudent and balanced with strong corporate governance across all operational areas so as to sustain sustainable performance growth in order to achieve the goal of becoming Indonesia's best, ASEAN's prominent bank.

In facing these conditions, in this 2017 audit plan, Internal Audit had set 6 thematic audits, 10 General audits, 6 Mandatory audits, 9 Subsidiary audits, and 5 studies. The 2017 audit covered areas that were significant and relevant to the conditions and challenges faced by Banks i.e., audit on Credit Quality in the Wholesale, Small Business, Micro and People's Business Credit segment, as well as Consumer Loan, Monthly Commercial Bank Report (LBU) & Debtor Information System (SID) and the reliability of infrastructure and e-channel Application.

Audit Method

The Internal Audit implements the methodologies based audit in the implementation of international activities by focusing on high-pit areas. The application of the methodology to the needs of the organization, the provisions of the Regulatory and the practice. The application of the methodology based audit requires a good cooperation between the Internal Audit with the Operational Risk Management Unit and the Client.

The following is a grand design of risk-based audit implementation at Bank Mandiri.



Implementation of Audit Activities In 2017

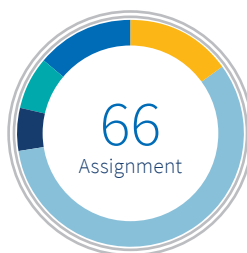
The actual implementation of audit activities in 2017 is illustrated in the following diagram.

Annual Audit Plan



General Audit	10
Audit Mandatory	6
Child Enterprise Audit	9
Study	5
Thematic Audit	6

Ad hoc

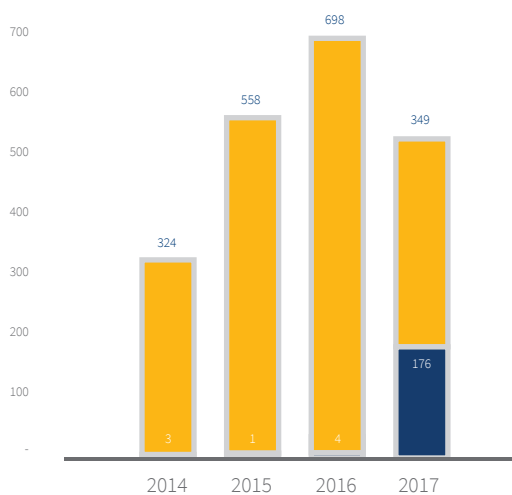


Audit	9
Review	10
Consulting	38
Debtor Review	4
Forensic Audit	5

Findings and Follow-Up to Audit Results

In addition to auditing and LTP, Internal Audit also continuously monitored the follow-up plan for audit findings.

Internal Findings Monitored Follow-up as of February 18, 2018



Closed	324	558	698	349
Outstanding	3	1	4	176

In addition to monitoring the follow-up on internal findings, Internal Audit also conducted accompaniment and monitoring of the follow-up findings of the external audit. The following is the follow-up status of external auditors:

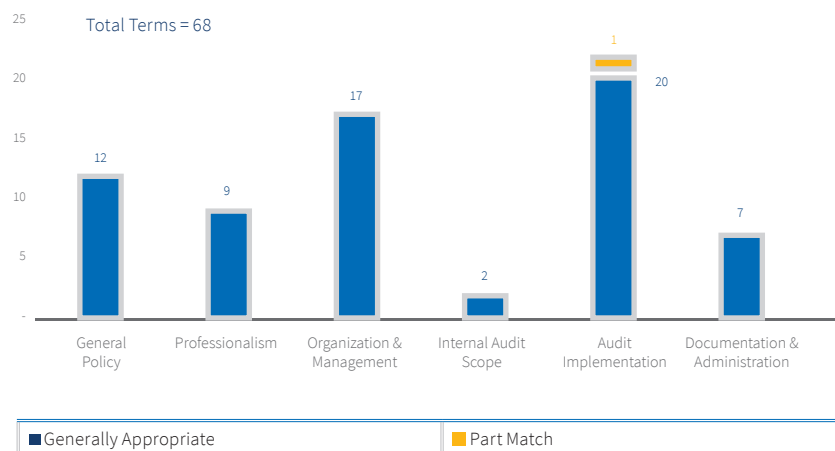
Table of Findings and Follow-Up on Audit Results

Auditor	2016		2017	
	Solved	In Progress	Solved	In Progress
Bank Indonesia	0	0	6	1
Financial Services Authority.	80	0	109	57
The Audit Board of the Republic of Indonesia	195	8	0	0
Public Accounting Firm	8	3	0	0

Performance Evaluation of Internal Audit

Performance evaluation of Internal Audit was conducted through the distribution of questionnaires that contain, among others, the settlement of DMTL, fines, and sanctions from the regulator, the implementation of the audit as planned and the implementation of the consultant function. The questionnaires were filled by the Board of Commissioners, the Board of Directors and the Audit Committee. The score of the questionnaire calculation was 1 (very dissatisfied) to 4 (very satisfied). From the results of the distributed questionnaires, the performance evaluation of the Internal Audit scored 3.8 times higher than the predetermined target of 3.4.

In addition, the performance evaluation of the Internal Audit of Bank Mandiri generally complied with SPFAIB (Implementation Standard of Bank Internal Audit Function).



In accordance with the provision of SPFAIB related to the report material, there was still an Audit Result Report that had not yet included a commitment to the implementation of follow-up on the previous audit results (DMTL). The given recommendation was to improve the discipline related to the preparation of the Audit Result Report in order to include a commitment to the implementation of follow-up on the previous audit results (DMTL).

Committees Under the Board of Directors

In performing its duties, the Board of Directors is assisted by the Corporate Secretary and Committees assigned to provide advice and recommendations related to the policies and directives of the Board of Directors. Bank Mandiri has a Committee under the Board of Directors or also called the Executive Committee of 9 (nine) Committees.