

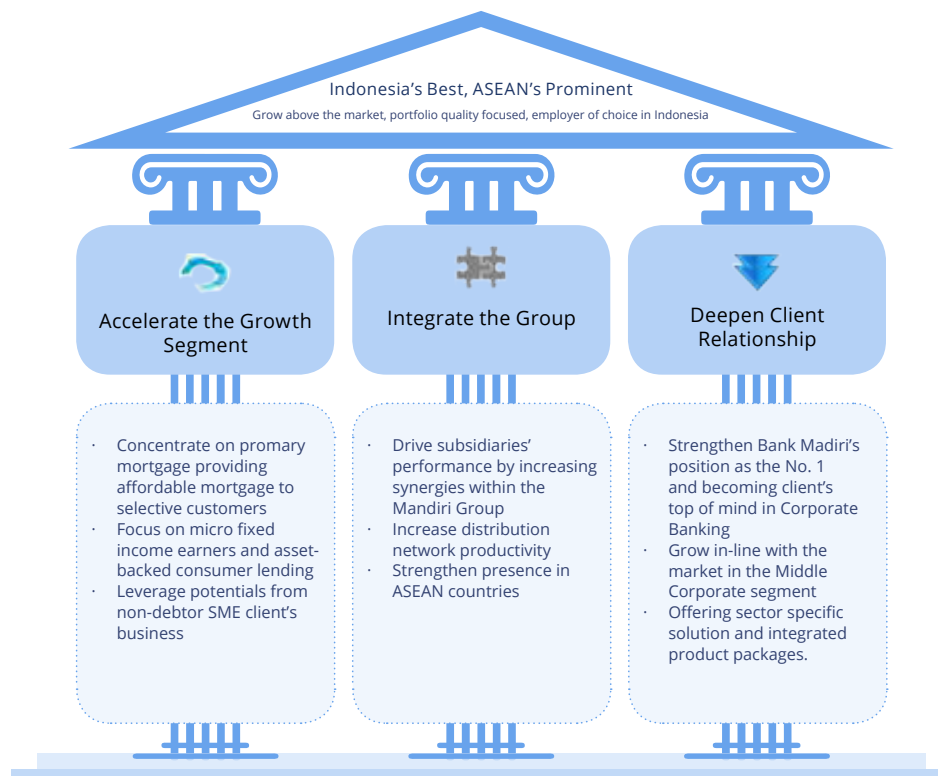
Operational Review

In general, Bank Mandiri's business activities focused on the public fund collection and redistribution in the form of credit and financing in addition to other banking service procurement. Bank Mandiri had determined the appropriate strategies marked by the significant increase of its performance.

Synchronization of Long-Term Strategies

The undeniable global economic dynamics in 2018 become the challenge for the Indonesia's economy and banking industry. In 2016, Bank Mandiri even experienced a significant pressure for its credit quality due to the Macroeconomic factors and less optimum credit portfolio management. Therefore, Bank Mandiri reviewed its business strategies through the Corporate Plan Restart for the 2016-2020 period and revised various initiatives to improve its fundamentals through the business focus adjustment based on its core competence, process and business system organization synchronization, as well as risk management and control enforcement.

Bank Mandiri synchronized its Corporate Plan Restart strategies for the 2016-2020 period to deal with the external and internal challenges by focusing its business at the main area in line with its core competence as an attempt to grow in fair and sustainable manner through the aspiration of being Indonesia's best, ASEAN's prominent.



The Company's management success was part of the appropriate strategy application. Continuing its Corporate plan, Bank Mandiri had conducted the Company's strategies to reach its operational performance target and finance based on the Bank Business Plan and earn the available business opportunities and potentials. Bank Mandiri focused on its three prominent strategies for its working performance up to 2020. The strategies included:

1. Accelerate The Growth Segment Strategy

- a. Focusing to grow the Primary House Ownership Credit (KPR) business through the affordable offers and selective customer targets.
- b. Focusing to boost the New Payroll-Based Micro Multipurpose Credit (KSM) and Collateral-Based Loan.
- c. Encourage value chain banking at work through customers which is part of the Wholesale / Corporate customer business process to expand retail distribution.

2. Integrate The Group Strategy

- a. Encouraging the performance of the subsidiary entity through the synergy of Mandiri Group.
- b. Improving the productivity of Bank Mandiri's networks through the business process reengineering and data analytics.
- c. Strengthening Bank Mandiri's presence in ASEAN communities.

3. Deepen Client Relationship Strategy

- a. Encouraging the corporate business as the main aggressively-growing competencies and appearing as the most potential market figure in terms of quality improvement as well as transactional product and treasury reliability.
- b. Improving the fee-based income contribution portion in the corporate and commercial segments.
- c. Developing the sector solution through the product offers and specific financial solution.
- d. Encouraging the consolidation and enforcing the commercial segments to grow in line with the market.

Enabler Strategy

In addition to the above strategies, Bank Mandiri also prepares enablers or other bankwide strategic support to achieve business targets.

- a. Transformation of service model through digitization to improve efficiency, as indicated by the decreasing efficiency ratio.
- b. Organizational rearrangement to better reflect the business focus and to be responsive to market conditions safely, quickly, and productively.
- c. Alignment of risk management to balance growth and quality.

- d. Development of human resources to cultivate the leader and entrepreneurship characteristics.
- e. Encouraging work culture synergy (values, work ethics, mindset) in Mandiri Group.

Restart Corporate Plan Implementation

In order to support the achievement of the Corporate Plan Restart target 2016-2020, Bank Mandiri has had 21 Board of Director (BOD) program levels as the main strategic initiative. The programs that have been developed must meet the objectives of the Corporate Plan, which are focusing on the development of the existing and new cores. In addition, the scope of the program should also include the implementation phase and, finally, should be able to have significant business impact and measurable metrics. In order to ensure that all strategies and initiatives are implemented and working as expected, each initiative has a Sponsor Director who becomes a sponsor to encourage the implementation of the initiative assisted by a Project Management Officer (PMO) who has dedication to carry out the initiative.

One of strategy implementations of the Corporate Plan is (i) the alignment of distribution network organization that is an advanced process of Distributions Network Transformation (DNT). This organization alignment initiative aimed at 2 (two) main things, namely organizations that encourage strengthening risk management and control as well as organizations that focus on 2016-2020 Corporate Plan Restart strategy. (ii) The establishment of growth targets in several segments that become a backbone of Bank Mandiri's business growth. (iii) Striving to overcome NPL problems, including:

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

In accordance with Bank Mandiri's direction and policy in achieving the vision of being Indonesia's best, ASEAN's prominent in 2020, the implementation of the Corporate Plan can be seen in 3 (three) periods:

2016 – 2018 Period

In this period, there were 2 (two) main strategies carried out by Bank Mandiri, namely:

1. Revising credit composition to encourage a more qualified growth

The stagnant economic growth affected the business and credit quality growth, thus encouraged Bank Mandiri to expand its credit prudently. Within the challenging working climate, Bank Mandiri is fully committed in reaching its long-term visions. By considering the volume gap of its business and credit quality in the respective segments to the targets, Bank Mandiri rationalized its portfolios by reallocating its business volume target at the relatively-well-growing segments through the quality maintenance. The credit volume growth was directed at the corporate segment of the existing core competence in addition to the retail segment as the new core of credit growth booster. Meanwhile, the credit quality improvement at the Middle Corporate segment and SME was gradually pursued by boosting selective and sustainable growth.

- a. As an attempt to enforce the existing core competence, the corporate segment's credit strategies in 2018 included:
 - Focusing on the anchor clients through a whole solution by offering integrated solutions for the specific sectors through the Value Chain Solution, syndication development, and Structured Finance.
 - Enforcing its Fundamental Aspects by synchronizing its business process (funds, credits, and transactions), which include the development of the Wholesale Digital Banking concept.
 - Enforcing its execution disciplines through pipeline management and credit monitoring discipline.
- b. To strengthen its new core, the Company encouraged the retail segments to aggressively improve in 2018, especially for consumer and micro-credits.
 - The consumer credit growth was attained through a number of strategies, which include business process reengineering, market target expansion, optimization of new card acquisition strategies through acquisition

channel enhancement, revision of sales incentive scheme, and focus on "Product Champion Bank". The consumer credit also focused on the partnership program at the Top 5 of Merchant Category Group and improved brand awareness through the thematic marketing campaign, development of product strategies and customer-experience-based marketing communication, and relationship improvement with the developers/partners.

- Micro-credit growth achieved through 2018 strategy includes the combination of Non-Collateral Loan (KTA) and Micro Multipurpose Loan (KSM) products into multipurpose loans (New KSM), improving Customized Direct Message for New KSM Top Up product offers, increasing penetration through telemarketing, development of the distribution pattern of Micro Business Loans (KUM), Regular Top Up optimization for Micro Business Loans (KUM) product, system improvement to accommodate People's Business Loan (KUR) Top-Up potential.
- The SME credit growth was attained through the applications of the following strategies: focusing on the growth of non-revolving credit products, distributing the credits for the Prime Customers that belonged to the existing active customers in the transaction at Bank Mandiri, partnering with the Financial Technology companies, simplifying the end-to-end credit process.
- Training for employees on an ongoing basis according to business development.

2. Improving credit quality to suppress NPL and cost of credit

The improving credit quality in 2018 was marked by the decreasing Non-Performing Loan (NPL) and cost of credit implemented through the following strategies:

- a. Conducting the restructurization acceleration for the debtors that owned business prospects.
- b. Pursuing a post-restructurization review for the debtors' accounts, including their business value by putting the details of the market conditions and their business economic sectors.
- c. Marketing collateral for non-performing loans, to be able to accelerate collateral sales to maximize collection and recovery of non-performing loans.
- d. Holding the execution for the debtors' collateral
- e. Holding a legal action for the non-potential and uncooperative debtors.

- f. Improving coordination and cooperation with the third parties, which include Attorneys and External Lawyers to handle the problematic credits.
- g. Strengthening the asset tracing, and
- h. Establishing the partnership with the strategic investor.

2018-2019 Period

Apart from continuing to carry out 2 (two) main strategies in the previous period, during this period Bank Mandiri strengthen its focus on increasing third party funds and credit growth especially in the SME and Middle Corporate segments.

1. Maintaining CASA sustainability rate

In 2018, cheap funds fund-raising strategies (CASA - current accounts and savings accounts) were carried out with the aim to gain cheap funds growth, more stable and sustainable deposition of funds. Several strategies used in collecting current accounts and savings are as follow:

- a. Improving and maximizing the utilization of Mandiri Cash Management (MCM) by customers.
- b. MCM user customers Acquisition, especially for those who are from potential industrial sectors.
- c. Adding product holding and e-channel transaction volume.
- d. Program collaboration between segments as an effort of integrated business penetration, and
- e. Loyalty (fiestapoin) program development.

2. Improving Fee Based Income

The achievement of Bank Mandiri's fee based income in 2018 is carried out by:

- a. The improvement of its e-channel productivity intensification, covering ATM, EDC, as well as Mobile and Internet Banking.
- b. Increasing trade product transactions for the customers of Large Corporate and Middle Corporate (Commercial) segments.
- c. Providing more structured solutions to fulfill customers trade needs.
- d. The improvement of cash management income by adding the real-time flagging feature for the reception of other banks in addition to the implementation of the virtual balance for the e-commerce segments.
- e. The initiation of cross-selling and bundling product with the subsidiaries' products.
- f. The enforcement of digital-based IT-supporting infrastructures.

2019-2020 Period

In this period, Bank Mandiri continued the strategy that had been implemented in 2016-2018 period and 2018-2019 period as well as made efforts to improve cost efficiency and increased productivity.

1. Operational Cost Control

By orienting at its long-term business development, the operational cost control became one of the main priorities of Corporate Plan. The costs use will be more focused on service network development that supports transactions growth and digital infrastructure development that is more efficient by:

- a. Prioritization
Prioritizing the costs use for strategic initiatives that is in line with long-term strategies.
- b. Optimization
Optimization through increased asset utilization and productivity including e-channel networks, office networks, and property assets.
- c. Rationalization
Tightening capital expenditure (Capex) and operational expenditure (Opex), so that the costs use is in accordance with the planning and needs.

In addition, Bank Mandiri also conducted a long term partnership with selected partners in the provision of e-channel transaction infrastructure including EDC and ATM.

2. Network Optimization Strategy

Bank Mandiri regularly reviewed the productivity and profitability of networks (branches and e-channels) as well as changed in status, location transfer, and opening/closing if necessary so that the network is more optimal in serving customers and/or in adding business opportunities.