

it tended to be higher in the United States of America. The increase of inflation affected US monetary policy to increase Fed-Fund Rate (FFR) rates 4 (four) times as much as 100 bps throughout in 2018. Changes in monetary policy in various developed countries especially in setting interest rates was essentially followed by adjustments to monetary policy in developing countries (emerging market), including Indonesia. Hence, the country was able to face the effects of change in global financial condition.

These global financial conditions also encouraged higher investment risk premiums in developing countries resulting great withdrawals of foreign investment funds from emerging countries as the markets. Strengthens US dollars caused capital flows / foreign investment to developing countries also fell sharply, which amounted to USD101.16 billion in 2017, becoming USD6.54 billion in 2018.

In the midst of the world economic conditions that had not been conducive, Indonesia's economy in 2018 was relatively good with a growth rate of 5.17% in 2018. Meanwhile, inflation throughout 2018 remained low in the range of 3.07%. Indonesia's economy tended to be quite stable, not apart from monetary policy and the efforts of the Government of Indonesia in driving domestic demand.

Financial system stability was also supported by banking industry that had a strong capital structure, sufficient liquidity and controlled credit risk. Capital adequacy ratio (CAR) was relatively high at 20.96%. The maintained liquidity ratio was quite large, which was equal to 19.3%, and the ratio of non-performing loan (NPL) was still low, which was 2.4% (gross) or 1.0% (net). Banking credit growth increased to 11.75% from 2017 which was 8.2% (YoY). Nevertheless, the growth of the Third Party Fund(TPF) decreased to 6.5% on 2018 from 9.4% in 2017

Strategic Policy Applied by the Company

Strategic policy compiled for the Corporate Plan Restart 2016-2020 became the foundation of the strategic policy established and implemented by the Directors in 2018. Directors also made great improvement steps, so the implementation of the strategy in 2018 could run better than the previous year. In preparing the 2018 strategy,

the Board of Directors had anticipated external factors which might affect the implementation of the strategy. Such anticipatory actions were proven that Bank Mandiri could achieve the target set.

Loans which became the main aspect of Bank Mandiri continued to grow with the quality of well maintained credit assets. In terms of deposits originating from cheap funds (CASA), it faced a little challenge both from interest rates and other external factors.

Development was also carried out on the Bank Mandiri's platform system which was not limited to the development of initiatives products, but also on support systems for banking services, so it could speed up the banking service process. Several initiatives had been taken in the development of Digital Banking products and services facing the development of Fintech as well as becoming efforts to increase Fee Based Income. Bank Mandiri's cost efficiency was still being carried out in every activity without reducing the quality of products and services of Bank Mandiri.

The Board of Directors also realized that the execution of the strategy could be achieved if it was supported by human quality capital. In addition, human capital management focused on facing the digital era and millennial generation was importantly needed. For this reason, Bank Mandiri was consistent that from year to year to conduct employee development program. Next, Bank Mandiri sharpened the core values, namely Trust, Integrity, Professionalism, Customer Focus, Excellence, through improvement Corporate Culture (New Culture). Good Quality of Human capital could support the sustainability of Bank Mandiri's business in the long term objectives.

Performance Analysis of Company's

Operational and Financial Performance

In general, the operational performance of Bank Mandiri continued to show improvement compared to the previous year. The biggest contribution to operational performance of Bank Mandiri was in Existing Core Competence showing that the Corporate Segment was divided into sub segments namely Large Corporate and Middle Corporate and New Core Competence; it was the Retail Banking segment.