

*One Heart One Mandiri*



# Sustainable Value Creation

PT. Bank Mandiri (Persero) Tbk.

Bandung – 10<sup>th</sup> October 2017



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# There are Key Challenges for Banks

[ and still in the future ]

01



**Economic slow down  
will recover slower  
than expectation**

*“Bank should be more proactive and preventive in terms of facing global and local issues.”*

02



**Emerging Economies  
(shifting from traditional  
market to digital market)**

*“Bank should anticipate the change of economy, identify the declining of traditional sectors and identify the rise of a new sector.”*

03



**Market Volatilities**

*“Bank should be able to accurately predict market volatility in terms of business judgment and strategic decision.”*

# To Maintain Sustainable Growth, BMRI Implements Corporate Plan 2020

## Indonesia's Top Financial Institution :

Grow above the market, portfolio quality focused, employer of choice in Indonesia



Accelerate in Growth Segments



Integrate The Group



Deepen Client Relationship

- **Become the First choice in consumer banking**, especially in the *middle-income class*
- Focus on **micro fixed income earners** and **asset-backed consumer lending**
- **Selectively grow SME segment and productive micro** by focusing on asset quality

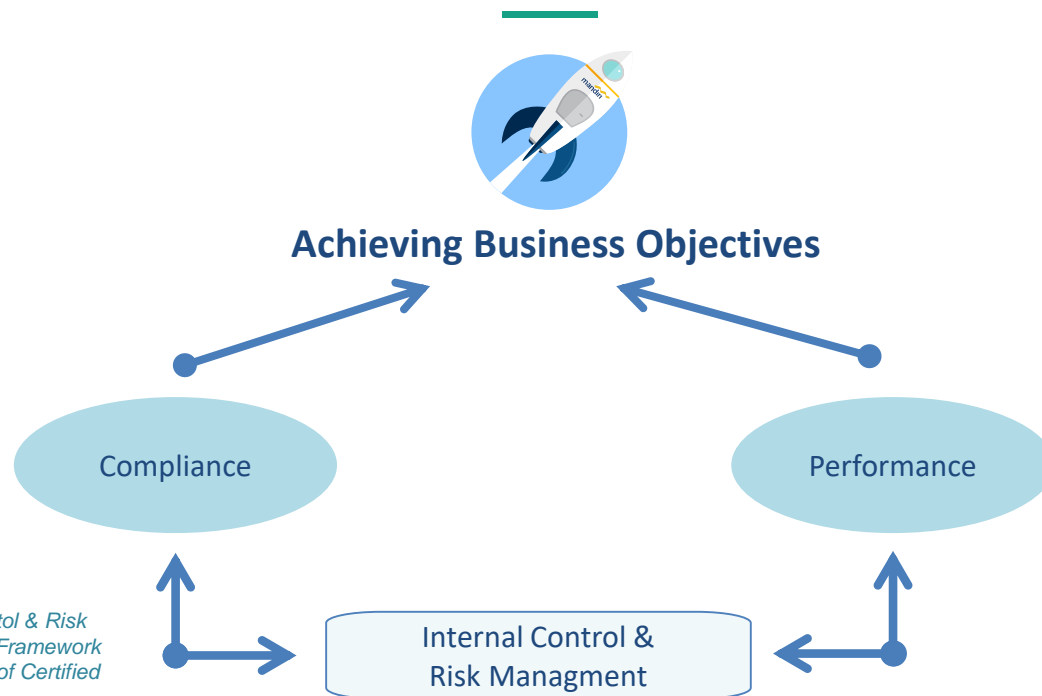
- **Drive subsidiaries' performance** by increasing synergies within the Mandiri Group.
- **Increase distribution network productivity**
- **Strengthen presence in ASEAN countries**

- **Strengthen** Bank Mandiri's position as the **No. 1 Corporate Bank**
- **Grow in-line with the market** in the **Commercial Banking** segment
- Offering **sector specific solution** and integrated product packages

Risk Management as Business Enabler

Internal Audit as Independent Assurance

# Sinergy Between Risk Management & Internal Control/Audit as an Enabler



Source: *Internal Control & Risk Management, Basic Framework*  
– Hongkong Institute of Certified Public Accountant

- ✓ Internal controls need to be responsive to the specific nature and needs of the business. Hence, they should seek to reflect sound business practices, remain relevant over time in the continuously evolving business environment and enable companies to respond to the specific needs of the business or industry.
- ✓ Risk management is essential for reducing the probability that corporate objectives will be jeopardized by unforeseen events. The board must determine the type and extent of risks that are acceptable to the company, and strive to maintain risk within these levels.
- ✓ Internal control is one of the principal means by which risk is managed. Audit Plan aligned to Business Strategy, Processes, Risks and Controls that matter.

# Lapses of Controls and Risk Management : Unsustainable Business Growth



## 2016 – 2017 : Wells Fargo Massive Fake Account Cases

- ✓ Has been ordered to pay \$185 million to settle charges that employees had fraudulently signed customers up for deposit and credit card accounts to hit sales targets and receive bonuses, according to regulators.



## 2008 : The Great Wall Street Rip-Off – Subprime Mortgage

- ✓ The fraud, perpetrated by several large financial firms, consisted of selling fraudulent mortgage-backed securities, thereby creating a financial bubble.



## 2008 : Madoff Scandal The Biggest Ponzi Scheme in History

- ✓ The Madoff investment scandal was a major case of stock and securities fraud discovered in late 2008.

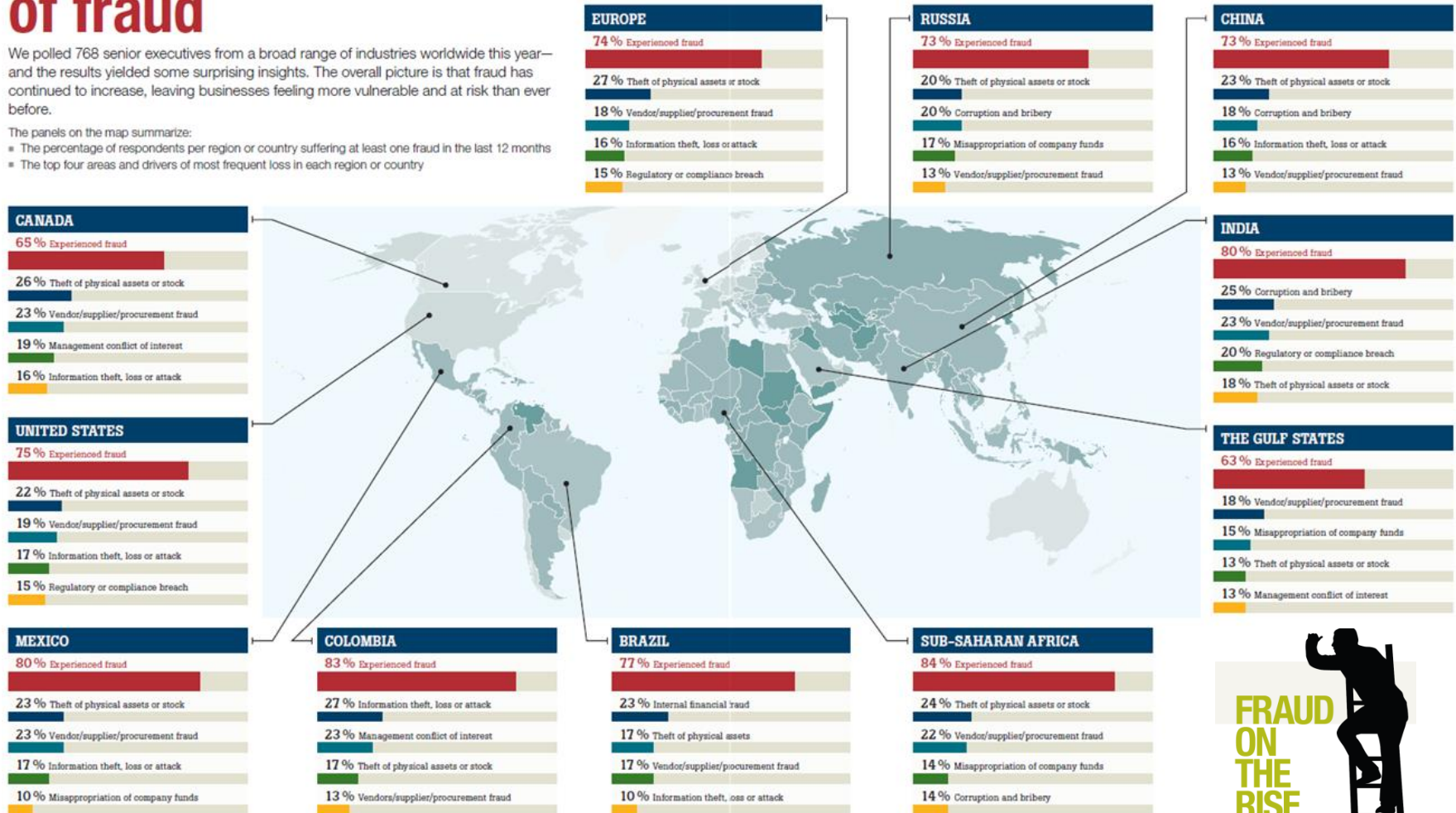
# Lapses of Controls and Risk Management : Vulnerability to Fraud

## The prevalence of fraud

We polled 768 senior executives from a broad range of industries worldwide this year—and the results yielded some surprising insights. The overall picture is that fraud has continued to increase, leaving businesses feeling more vulnerable and at risk than ever before.

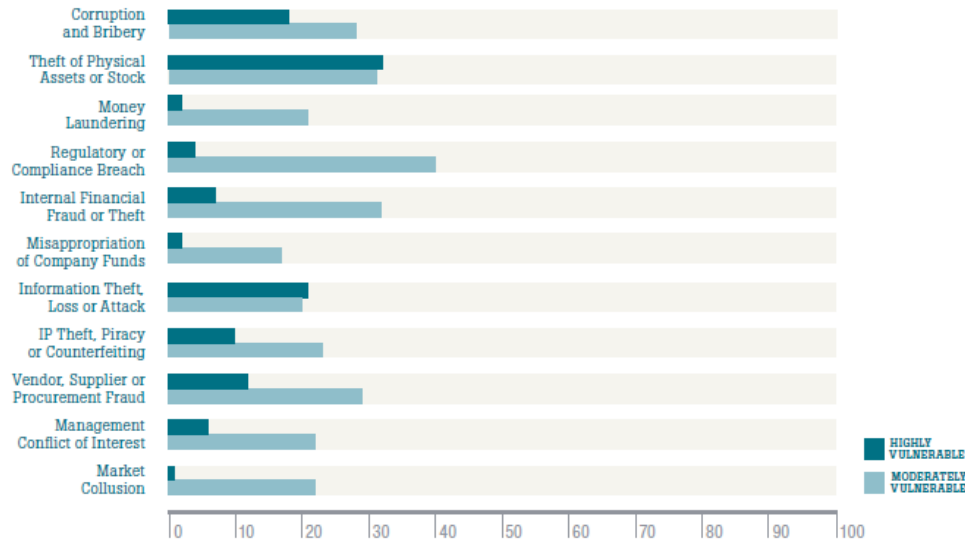
The panels on the map summarize:

- The percentage of respondents per region or country suffering at least one fraud in the last 12 months
- The top four areas and drivers of most frequent loss in each region or country



# Lapses of Controls and Risk Management : Frauds in Financial Services

## FINANCIAL SERVICES



[ Kroll - Global Fraud Report 2015-2016 ]

Prevalance: Companies affected by Fraud

70%

### AREAS OF FREQUENT LOSS

- Information theft, loss or attack (**18%**)
- Theft or Physical assets or stock (**18%**)
- Management conflict or interest (**17%**)
- Regulatory or compliance breach (**17%**)

### INCREASE IN EXPOSURE

Companies where exposure to fraud has increased: **82%**

### BIGGEST DRIVERS OF INCREASED EXPOSURE

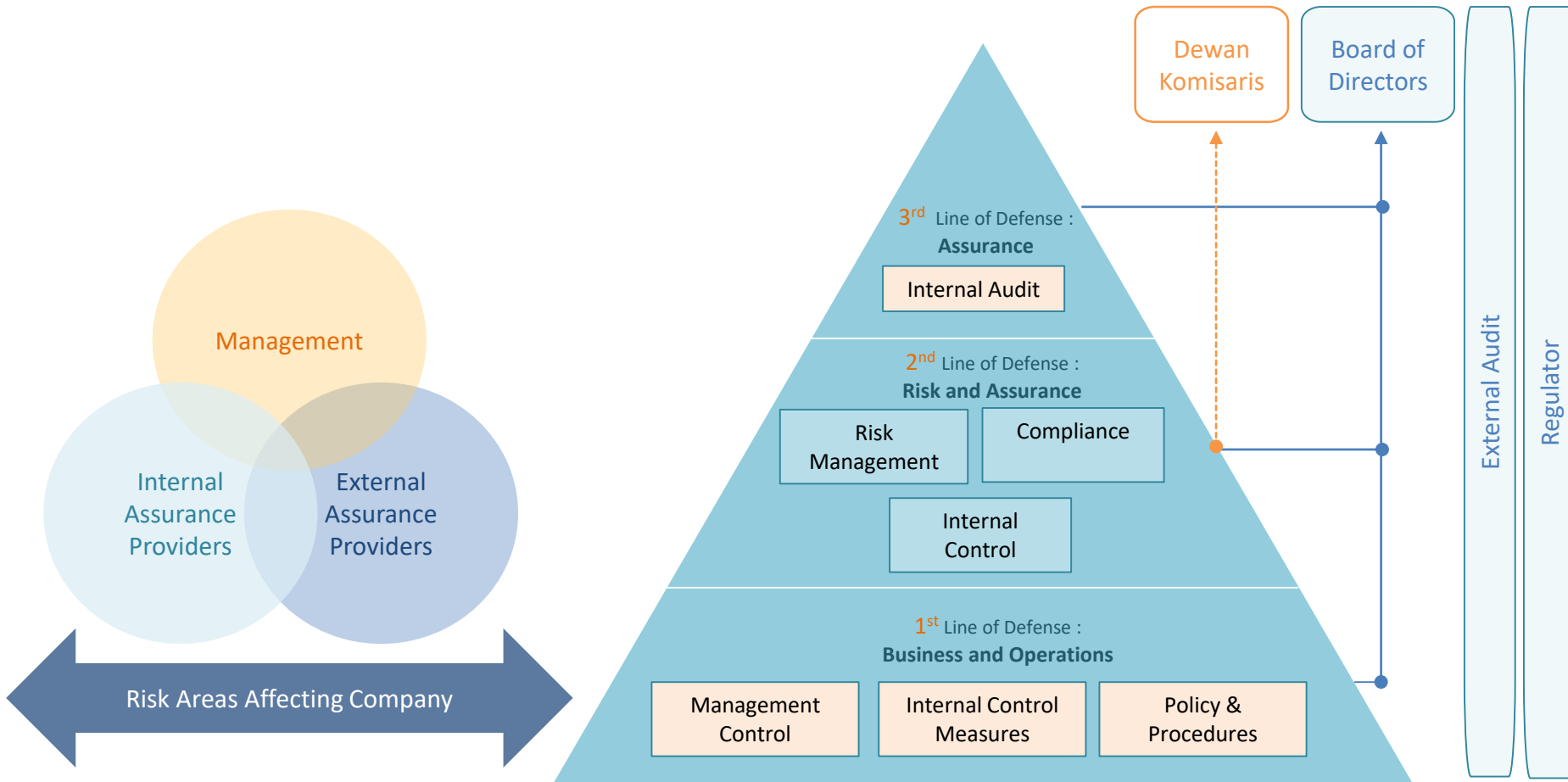
- High staff turnover (**49%**)
- Entry into new, riskier markets (**20%**)

Looking ahead does not bring much comfort. The greatest driver of increased fraud exposure is high staff turnover which affects the businesses of 49% of financial services respondents.

In the business world, a company's objectives and the environment in which it operates are continually evolving and, as a result, the risks that it faces also change. **A sound of dynamic synergy between internal control, internal audit and Risk management is necessary to achieves the Business Objectives.**



# Combined Assurance To Ensure Optimal Business Synergy & Good Governance



Source: IoDSA (2009), King Code for South Africa 2009, Institute of Directors In Southern Africa, 62

# Mandiri Value Creation Model : Maximizing Shareholder Value

## Indonesia

- Dividend Contribution
- Tax Contribution
- Best Talent Contribution



## Civil Society

- Infrastructure financing: highway, power plant, telco
- Social Program : “Mandiri Peduli Pendidikan”, “Mandiri Sahabatku”, “Wirusaha Muda Mandiri”
- “Bantuan Langsung Tunai”



## Bank Mandiri

- Market Cap. Growth
- Total Asset Growth
- ROE Growth
- Stock Price Growth
- Broader Socio Economic Impact



## Employee

- Competency Development
- Leadership Development



## Customer

- Best Services
- Product & Financial Services
- Reliable Technology

TRANSPARENCY

ACCOUNTABILITY

RESPONSIBILITY

INDEPENDENCY

FAIRNESS

# Challenges in Good Risk Management, Internal Control & Internal Audit Practices

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- 1.** Awareness of Business Objectives
- 2.** Risk Awareness
- 3.** Early Warning Mechanism and Quick Response
- 4.** Reliable Business Information – Big Data Era
- 5.** Emphasis on Changing Behaviour



# Potential Benefits of Effective Risk Management, Internal Control & Internal Audit

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1. Higher Sustainable Share Price
2. Fewer Sudden Shocks or unwelcome surprises
3. Sharpen the competitive advantage
4. Optimal strategy setting
5. Lower Cost of Capital





Leading. Trusted. Enabling Growth

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# Thank you

# Bank Mandiri Sustainable Transformation



## “Sustainability Performance”

- Business Transformation
- Operational Transformation
- Broader socio economic impact (Non Financial)

● **2015-2020**  
**Transformation Phase 3**  
Become Indonesia’s Best,  
ASEAN’s prominent in 2020

● **2010-2014**  
**Transformation Phase 2**

Become Indonesia’s most admired and progressive financial institution

Double Market Cap  
**IDR + 500 Tn**  
Asset Growth YoY  
**+3% above Market**

● **2005-2009**  
**Transformation Phase 1**

Become the “Dominant Multi Specialist”

Market Cap:  
**IDR 136 TN**

Market Cap:  
**> IDR 225 TN**



Market Cap:  
**IDR 60 TN**

# BMRI Value Creation align with “Spirit Memakmurkan Negeri” as Agent of Development



June 2017  
Rp Tn, %

Sector	High way	Transportation	Oil & Gas, renewable energy	Electric	telco	Infrastructure	Construction	others	Total	YoY
Limit	14,1	61,9	31,2	46,2	16,6	18,0	23,3	13,6	224,8	30,0%
O/S	8,4	36,0	20,9	27,0	8,5	10,1	13,1	9,6	133,7	15,0%



**Toll Semarang - Batang**  
75 km



**Toll Gempol - Pasuruan**  
34 km



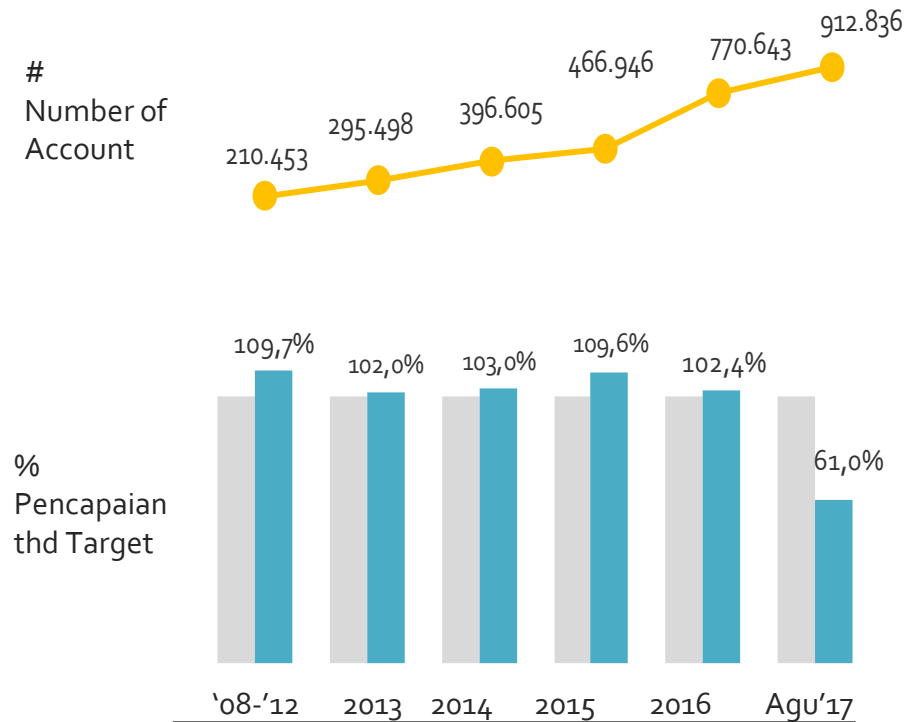
**Proyek Peremajaan Gerbong KAI**



**Pembangunan PLTU Nabire**

# BMRI Value Creation in Real Sector Economy - KUR Segment

## Yearly KUR growth...

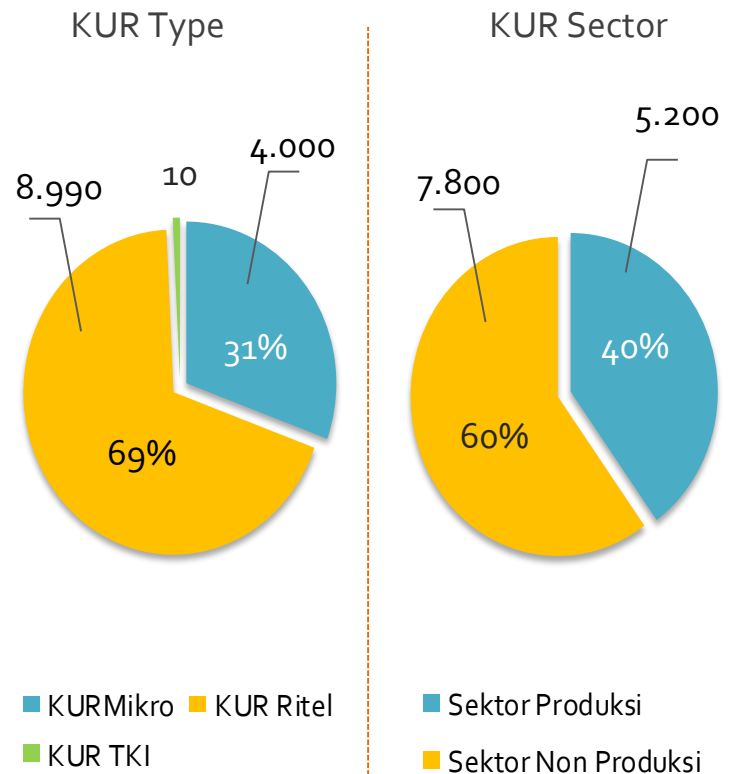


Yearly Target	'08-'12	2013	2014	2015	2016	Agu'17
Target	9.845	3.600	3.600	3.200	13.000	13.000
Realized	10.797	3.673	3.707	3.506	13.313	7.988

(Rp billion)

## KUR Target...

(Rp milyar)





# BMRI Contribution in “Program Bantuan Sosial Pemerintah”

## “Program Keluarga Harapan (PKH)”

01  
Definition



Program pemberian bantuan sosial bersyarat kepada keluarga miskin yang ditetapkan sebagai Keluarga Penerima Manfaat PKH

02  
Mechanism



4 (**empat**) penyaluran/ tahun  
Nominal tahun 2017 yaitu tahap I-III Rp @ 500rb dan tahap IV Rp 390 rb

03  
Realised



Realisasi per 12 September 2017

- Penyaluran e-Wallet dan Tabungan kepada 2.953.682 KPM atau mencapai 99,74% dari target

- Pencairan PKH kepada 2.786.405 KPM atau mencapai 94,1% dari target

## “Bantuan Pangan Non Tunai (BPNT)”

01  
Definition



Program penanggulangan kemiskinan dan perlindungan sosial di bidang pangan yang diselenggarakan oleh Pemerintah Pusat berupa bantuan pangan (**beras dan gula** (barang dapat berubah sewaktu-waktu)) kepada rumah tangga miskin dan rentan miskin yang pencairannya dilakukan secara non-tunai/pembelian bahan pangan

02  
Mechanism



BPNT disalurkan **setiap bulan** dengan nominal Rp @ 110rb

03  
Realised



Realisasi per 12 Sept 2017

- Penyaluran e-Wallet kepada 155,460 KPM atau mencapai 100% dari target