



BOARD OF DIRECTORS' REPORT

ANALYSIS OF THE COMPANY PERFORMANCE

Despite the challenges of the COVID-19 pandemic, Bank Mandiri managed to record an excellent performance in 2021. Backed by accelerated recovery and improved digital transformation, Bank Mandiri was able to record a consolidated net profit for the year of Rp28.03 trillion or a significant growth of 66.84% (YoY) in 2021.

We also believe that the achievement of Bank Mandiri's profit performance is inseparable from the consistency and commitments of the government in promoting the acceleration and distribution of vaccinations, as well as overcoming the impact of the COVID-19 pandemic. Including, the efforts of the government and regulators through the policy of the National Economic Recovery (PEN) program to revive the domestic economy.

Optimized the intermediation function, being prudent in restructuring loans affected by the pandemic, implemented cost efficiency, as well as being fully committed and focused on executing the Bank's five-year plan, were also factors that enable Bank Mandiri to achieve a brilliant profit performance in 2021.

In line with the positive national economic growth, Bank Mandiri's loans on a consolidated basis was able to grow positively by 8.86% (YoY) to Rp1,050.16 trillion. This growth was supported by, among others, loans in the Wholesale segment, which was remained the driving force with 8.53% growth (YoY) to Rp544 trillion. Meanwhile, the Retail and Subsidiaries segments grew by 8.30% (YoY) and 10.39% (YoY), or to Rp284 trillion and Rp222 trillion, respectively.

Bank Mandiri is also fully committed to sustaining economic revival in potential sectors, including Micro, Small, and Medium Enterprises (MSMEs). Bank Mandiri's MSME loans recorded a significant increase of 15.0% (YoY) to Rp103.5 trillion. This growth was supported, among others, by optimizing the distribution of Bank Mandiri Microfinancing (KUR) that reached Rp35 trillion to more than 371,000 borrowers. In line with government directives, the KUR disbursement was mainly to productive sectors such as agriculture & fisheries amounting to Rp10.67 trillion and services at Rp6.96 trillion.

High loans growth in 2021 was well balanced with improved credit quality. On a consolidated basis, Bank Mandiri's gross Non-Performing Loans (NPL) position

was lowered by 38 basis points (bps) to 2.72%. However, despite this, Bank Mandiri remains to anticipate the potential for lower credit quality by continuing to strengthen the reserve ratio or coverage ratio at an adequate level. By the end of 2021, Bank Mandiri had recorded a consolidated allowance for impairment losses (CKPN) of Rp19.3 trillion with an NPL coverage ratio increasing by 2,297 bps on an annual basis to 243.48%.

The loans restructuring strategy to mitigate the impact of the COVID-19 also continued to show a sloping trend in line with the recovery of the national economy. The total debit balance of Bank Mandiri's loans restructuring for the COVID-19 stood at Rp69.7 trillion (bank only) in 2021, decreased from Rp93.3 trillion in 2020.

In terms of fundraising, Bank Mandiri managed to increase third-party funds (TPF) on a consolidated basis by 12.80% (YoY) to Rp1,291.18 trillion. The increase of third-party funds was mainly driven by low-cost funds (CASA), which on a bank-only basis reached Rp759.31 trillion, or grew 21.94% (YoY). Making the CASA portion of the total TPF to 73.99%, an increase compared to 68.51% in 2020.

Loans growth and continued strengthening of CASA led to an increase of Bank Mandiri's assets on a consolidated basis to Rp1,725.6 trillion in 2021, grew 11.90% higher than the previous period.

Mandiri Go Digital

The Bank's efforts to optimize technology and accelerate digital transformation played a major role in achieving its performance in 2021. In terms of raising funds, for example, in addition to optimizing depositor funds and providing transactions convenience for customers, "Mandiri Go Digital" can also efficiently reduce the cost of funds.

These aspirations were embodied through the launch of a reliable digital banking solution intended for Retail customers, namely the Financial super App Livin' By Mandiri. The Livin' by Mandiri is an application-based banking service that integrates all of the customer's financial transaction needs, from the online opening of new accounts, payment transactions, to being connected to the marketplace ecosystem for investment. These facilities enable the Retail customers get a branch services experience at their fingertips.