

**Extraordinary General Meeting of the
Shareholders
PT BANK MANDIRI (PERSERO) Tbk.**

22 December 2006

Passion to Serve, Passion to Perform

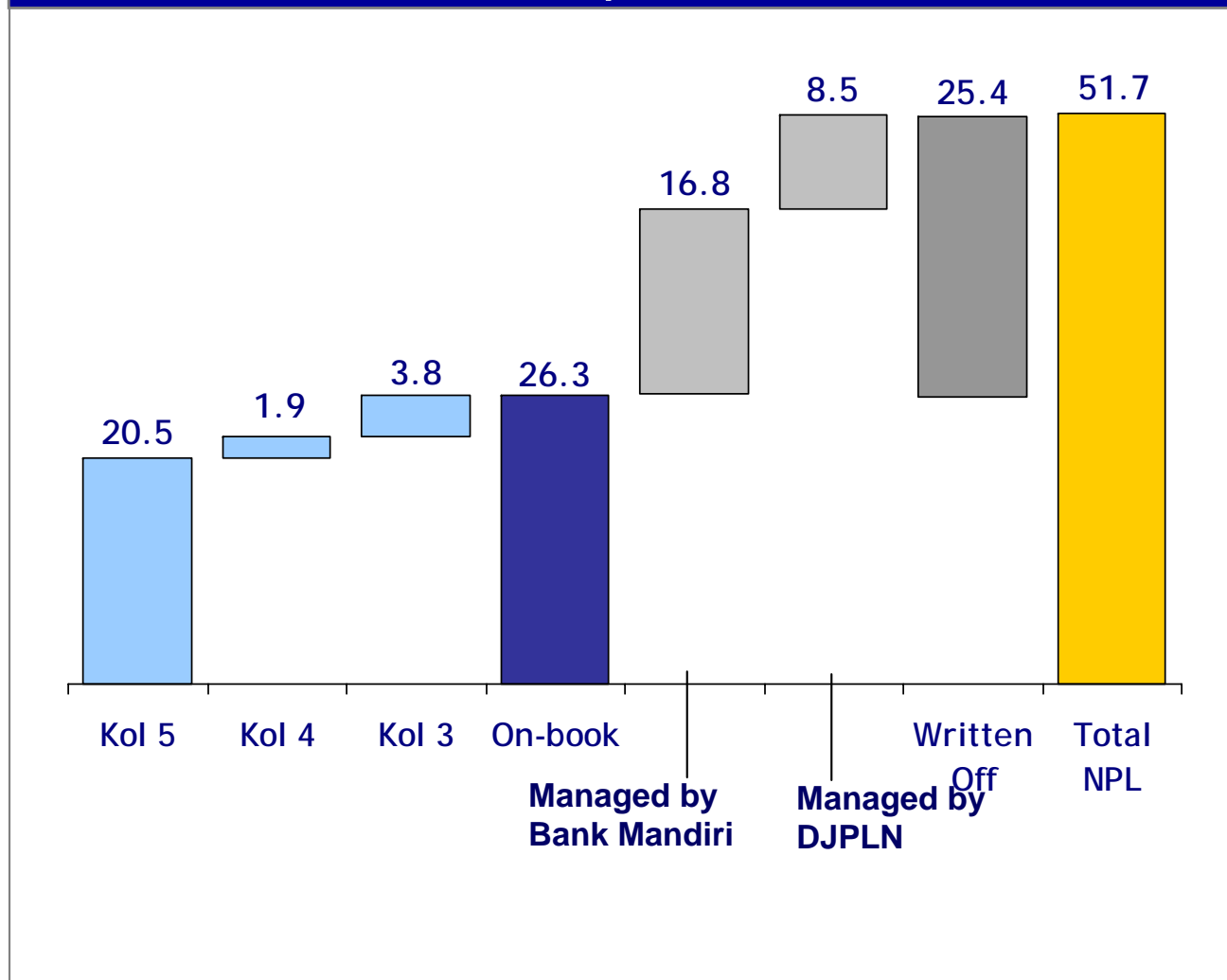
Background and Context

Background for Dec 22, 2006 Extraordinary Meeting of the Shareholders

1. High level of NPL is the main challenge faced by the bank. Reducing the current NPL level is required for Bank Mandiri to regain the status of well-performing bank. This, therefore, requires the support of everybody in the management team.
2. Presidential Decree PP No. 33/2006 and the corresponding Minister of Finance Decree PMK No. 87/2006, provide the base for the bank to accelerate the NPL resolution process. The government's actions highlight its commitment to help the resolution of NPLs in state-owned banks.
3. The issuances of both decrees will enrich the options for resolving the NPL problems for state-owned banks and will also provide the legal foundation for the state-owned banks to resolve the NPLs

At present, NPL in Bank Mandiri is still significant

NPL Bank Mandiri 3Q06
(Rp Tn)



Challenges in 2007

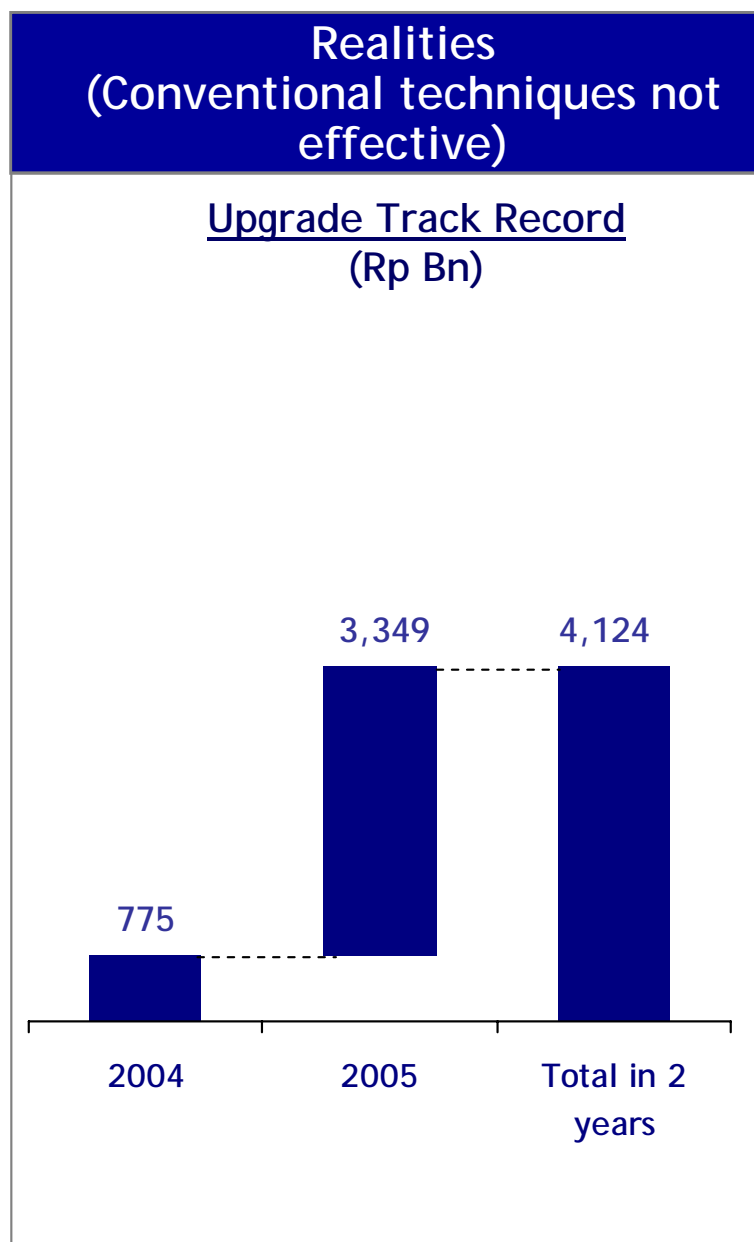
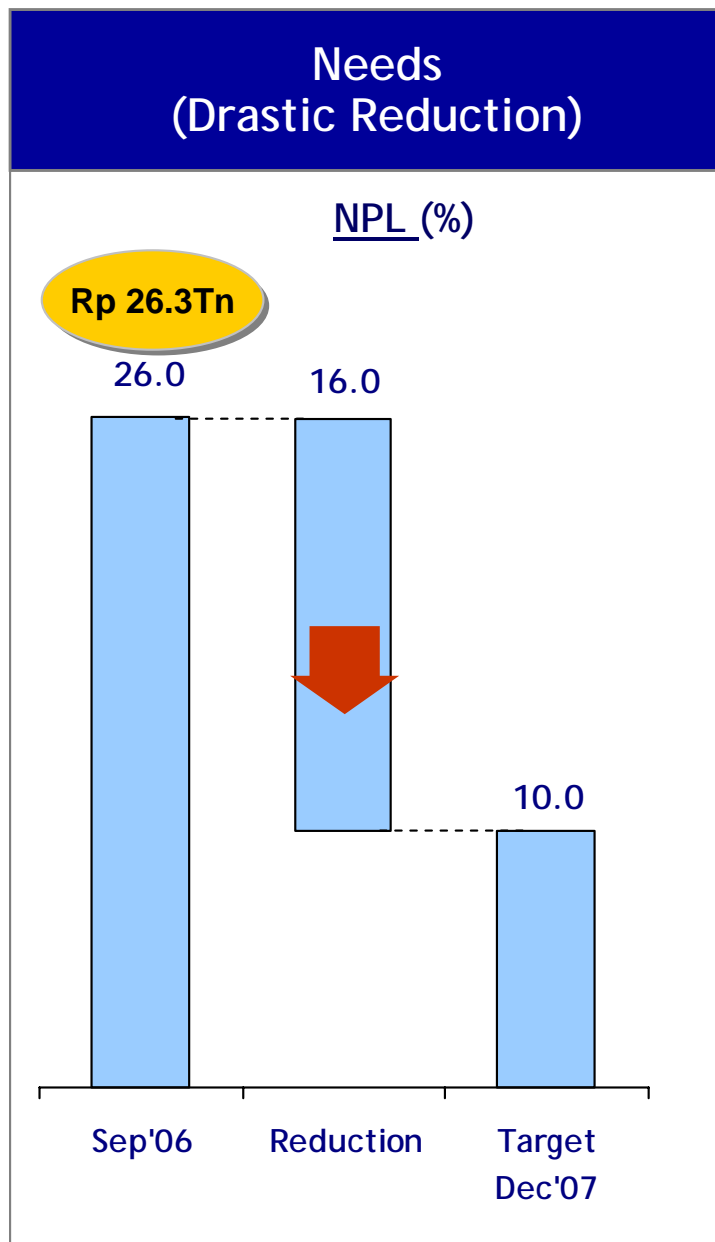
Reducing the NPL to below 10% (gross) or 5% (net), through:

- Expansion
- Restructuring
- Settlement
- Collection
- Program NPL Disposal

Reducing the level of the written-offs NPLs in order to optimize the recovery level through:

- Settlement
- Collection
- Program NPL Disposal

Challenges to reduce the NPL in 2007 and experience for the past 2 years



Need breakthrough techniques and approaches to achieve the target NPL level in 2007

Source: Bank Mandiri

The Issuance of PP No. 33/ 2006 and PMK N0. 87/ 2006 to assist State-Owned Banks to resolve its NPL problems

PP No. 33/ 2006

Revision of PP No. 14/ 2005 regarding Procedures for Dealing with the State Assets.

- § Affirming that the assets of SOEs are not assets of the state
- § Providing the authority to the SOEs to resolve its NPLs within the framework of corporate law
- § Enrich the options that can be applied to get the best results

PMK No. 87/ 2006

Revision of PMK 31/ 2005 regarding the procedures for Recommending, Studying, and Agreeing to write-off the assets of SOEs and Regional Government Owned Enterprises

Affirming that resolving the assets of state and regional government enterprises must be done according to the following laws: Limited liability Law UU No. 1/ 1995 and State-Owned Company Law UU No. 19/ 2003 as described in their direction circulars.

Socialization

There is still a need to have a common understanding among the relevant stakeholders on what State-Owned banks can do to resolve its NPL level.

Relevant stakeholders include:

- § Law Enforcement Agencies: Prosecutors, Policy, Anti Corruption Team, and Anti Corruption Committee
- § State Auditors: BPK dan BPKP
- § Others, incl. Parliament

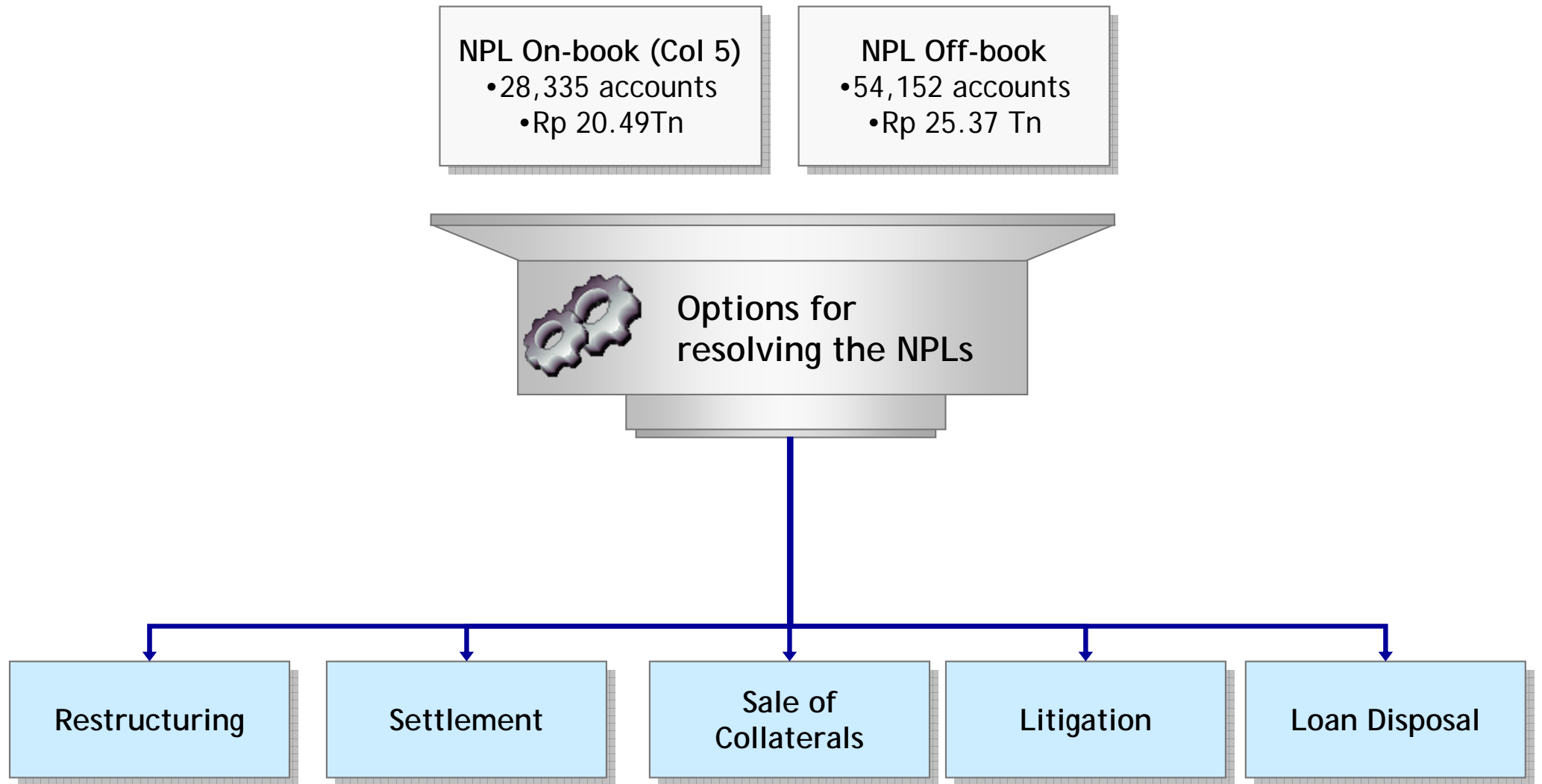
Plan to Establish the Oversight Committee

Formed through a joint decree between the MIn of Finance and the State Minister of State-Owned Enterprises

Roles and responsibilities to provide guidance and review to prevent the occurrence of moral hazard in resolving the NPLs

Members: Senior officials from the Office of the Coordinating Minister of the Economy, Ministry of Finance, State Minister of State-Owned Enterprises, and law enforcement agencies as formal participants

PP No. 33/ 2006 and PMK N0. 87/ 2006 will enrich the options for NPL resolution in Bank Mandiri



PPKM Mandiri 2007

Guiding Principles PPKM Mandiri 2007

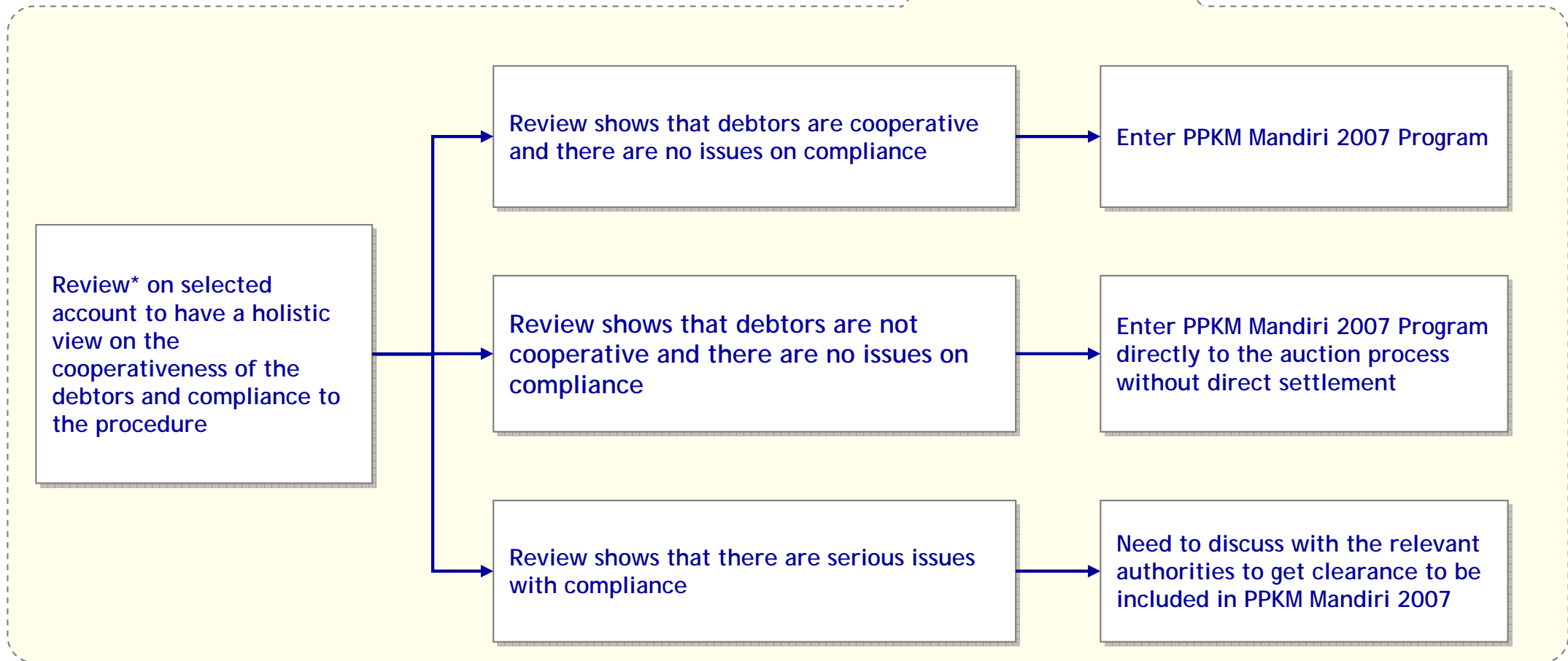
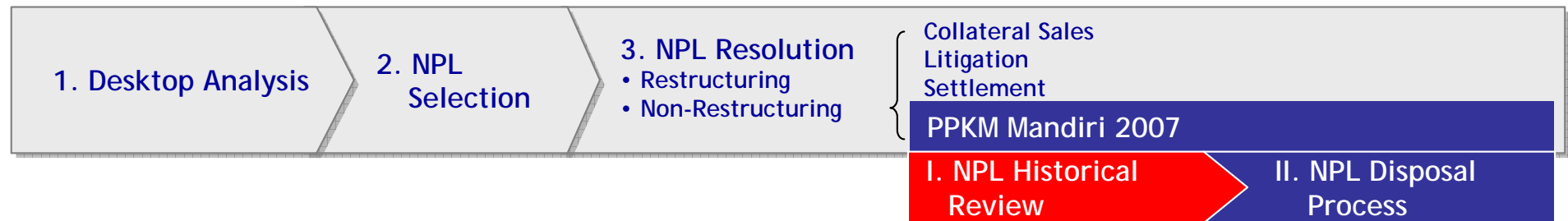
10 Guiding Principles

1. Priority given to NPLs that have been written off
2. Focus will be on debtors that do not have legal issues
3. As a whole, NPL sales through PPKM Mandiri 2007 should not result in additional burden for the company.
4. Clear and standard SOP will be developed.
5. PPKM Mandiri 2007 consists of 2 steps: *'Direct settlement'* and *'Auction to the third party'*.
6. Direct settlement is only given to cooperative debtors who have good intent.
7. Prior to auction, Floor Price will be decided by the Floor Price Committee with membership and mechanism spelled out in the SOP.
8. The winner of the auction process is investor that provides the best economic price.
9. SME debtors that satisfy certain criteria will get a special treatment.
10. Assets ex-IBRA, that are acquired through IBRA's auction program, go straight to auction program without direct settlement with debtors
11. PPKM Mandiri 2007 will be implemented if there are no legal barriers in its implementation
12. The absolute minimum floor price is 15% - no assets will be sold below the absolute minimum value

Criteria for selecting account to be included in PPKM Mandiri

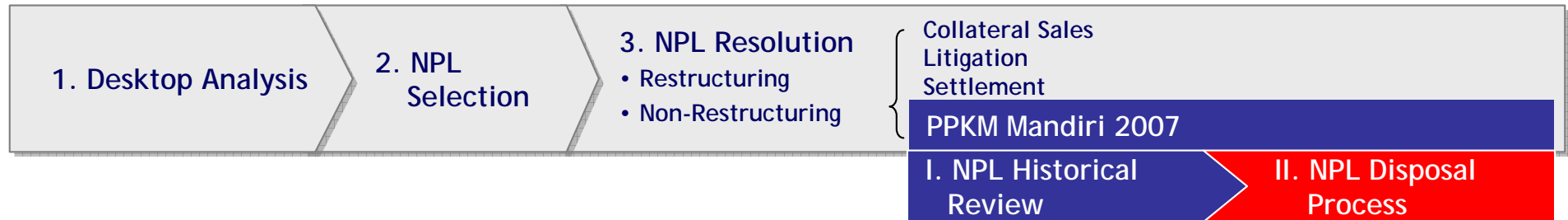
- 1 Accounts already under collectibility 5, or those that have been written-off as of 31 December 2005
 - To avoid potential moral hazard
- 2 Accounts not under the management of DJPLN
 - It is stipulated in PP 33/2006 that accounts transferred already to DJPLN remains under DJPLN management
- 3 Non-SOEs accounts
 - There will be a special scheme for SOEs
- 4 Accounts less than Rp. 300 Bn or greater than Rp. 300 Bn where the most optimal solution is through this program
 - Initial focus is on account that is relatively small
- 5 Account owned by debtor that does not have other exposures that are still performing according to the one debtor concept
 - To avoid moral hazard
- 6 Debtors that are not in any legal cases
 - To avoid potential legal problems in the future

There will be a *Historical Review* of account done by independent auditor prior to disposal

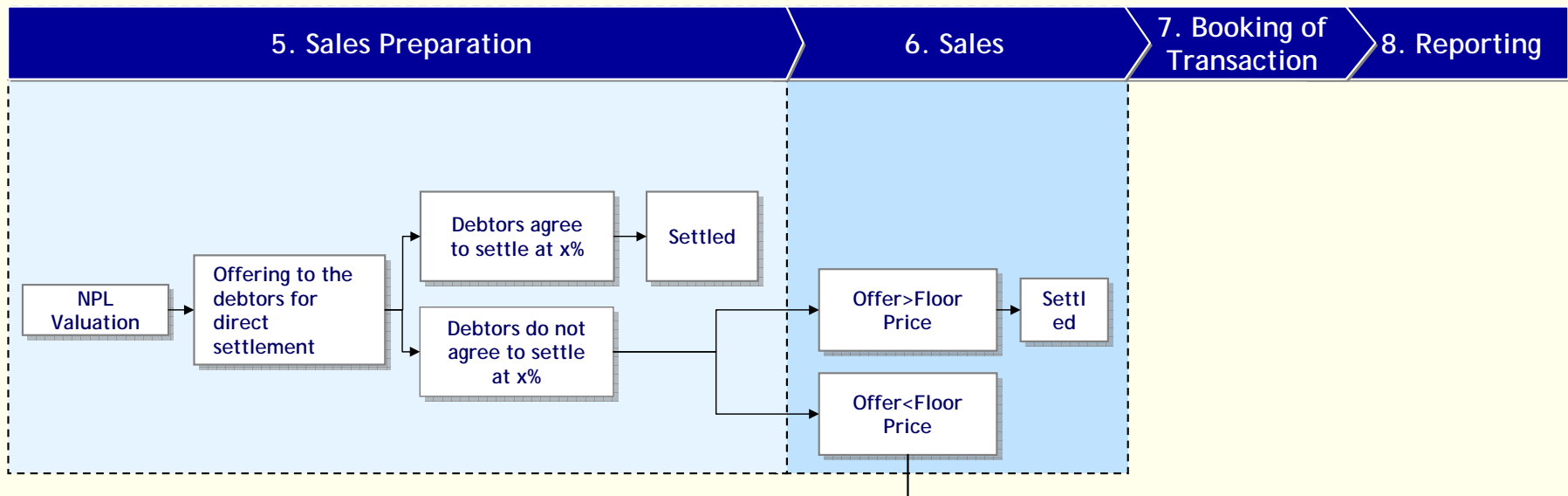
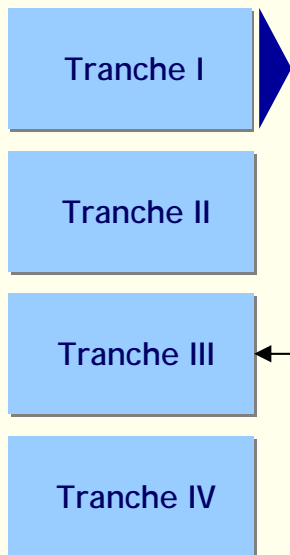


*Individual review for accounts above Rp. 5 billion and sampling for accounts below 5 billion

NPL Disposal Process in PPKM Mandiri 2007



4. Selling Strategy & Tranching :



If the best offer is still below Floor Price, there will be a rebidding process
 If the rebidding process still results in a price below floor price, the assets will be offered in Tranche (n+2) with or without change in its floor price

High Level Work Plan for PPKM Mandiri 2007

INDICATIVE

No	Activities	2007											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	Independent NPL Historical Review for selected accounts	Accounts Large & Medium		SME and Consumer (via sampling)									
2		Tranche 1		TRANCHE 1 : Large Loans									
3	Tranche 2			TRANCHE 2 : Large & Medium Loans									
4	Tranche 3			TRANCHE 3 : Medium Loans									
5	Tranche 4			TRANCHE 4 : UKM + CONSUMER									